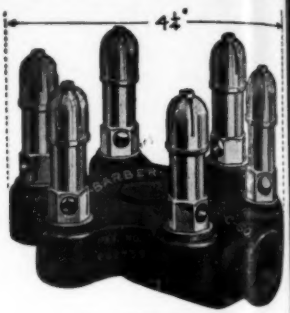
Public Utilities

FORTNIGHTLY

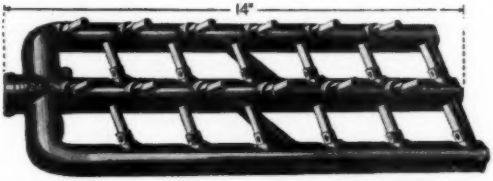
Volume XLVII No. 5 March 1, 1951

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS

No.
B-80 Burner



No. C-60 Burner



No. U-24 Burner

BARBER Appliance Burner Service is Worth Looking Into

For a third of a century, Barber has been widely recognized for superior quality in gas conversion burners, and also in burner units for many other types of gas appliances. For the past 10 years or more, Barber has increasingly commanded the quality market for *appliance burners*, in numerous types of gas-burning appliances. There must be reasons for this. There are.

Barber has devoted a major portion of its research, testing, and development facilities to the job of creating and perfecting the *exactly* proper burner unit to fit the gas appliance involved. That's because the burner is the *heart* of the appliance. In shape, size, and type of jets, the burner *must* suit the appliance, for the appliance itself to perform at par. Thus Barber is able to design, test, and then build hundreds of types of gas burner units (for all kinds of gas) that are expertly *engineered* for the individual appliance. In short, Barber has become BURNER UNIT HEADQUARTERS for hundreds of appliance makers, who rely on Barber to take care of their burner problems. Where else can any appliance manufacturer avail himself of an equal degree of burner experience and resourcefulness? Buy Barber and you buy the best.

Write for latest Catalog showing all models of burners for Appliances, also Conversion Burners, Regulators and Controls.

THE BARBER GAS BURNER CO., 3682 Superior Avenue, Cleveland 14, Ohio

BARBER BURNERS

For Warm Air Furnaces, Steam and Hot Water Boilers and Other Appliances

Public Utilities FORTNIGHTLY

VOLUME XLVII MARCH 1, 1951 NUMBER 5

ARTICLES

FEATURE SECTIONS

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS

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Pages with the Editors

NOT long ago a popular song was making the rounds in some rowdy places under the intriguing title "Save Your Confederate Money, Boys; the South Will Rise Again!" If there were any doubt in the minds of Yankees and others that the new South is really rising, it could be quickly cured by a personal visit. The chances are, such doubt would not last a hundred miles below the Mason-Dixon line. And that is certainly not "South," within the meaning of the real denizens of the corn pone country.

FORTUNATELY, the growing popularity of Florida, and the many other southern vacation spots, is converting a good many outlanders to a new respect for our South and its future. As a Carolina Congressman recently remarked, "If the southern states were to secede today, so many of you all northerners would follow after, there wouldn't be enough left up yonder to muster a quorum." Winter visitors to Miami, for example, returning there after some years' absence, are amazed at the solid line of new buildings skirting that beautiful coastal city. The growth in the Gulf states, paced by the oil and gas booms in Texas, Louisiana, and the Southwest, is bringing new horizons of prosperity and living standards to millions of proud and happy citizens.

THE most interesting feature of this mammoth regeneration in Dixie is that it is a self-starting movement and a self-progressive movement. Southern industries, manned by southern people with faith and hope in the South, are building up a steady momentum of growth and opportunity. The opening article in this issue is an account of how the public utilities of our southern states have sparked this brilliant economic and industrial revival. It goes without saying, in this day and age, that there could be no prosperity nor growth without a progressive electric power industry marching in the lead. This article shows how the southern utilities have not only proved equal to the task but have played a big part in its original inspiration.

GERARD M. IVES

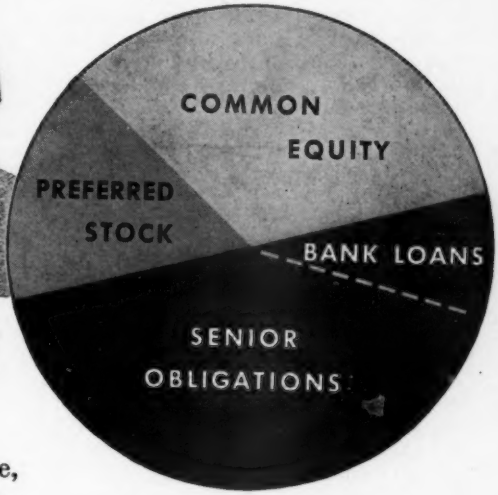
THE author of this article is GERARD M. IVES, vice president in charge of the public utilities division of the Guaranty Trust Company of New York. He has been associated with this bank since 1941, except for three years of wartime service with Army ordnance. For eleven years before joining the Guaranty Trust Company, he was with Tri-Continental Corporation group of companies, serving in various capacities, including a vice presidency of Union Securities Corporation, and vice president of the Blue Ridge Corporation. Through many years his career has been devoted to financial phases of the public utilities.

* * * *

DIVIDING the world into saints and and sinners leaves out the plain people who make it go round. On both sides of the regulatory fence there are plain people anxious to do a good job. By and large, successful regulation and the finding of a livable environment for business under regulation depend on mutual respect for the other fellow's legitimate aims and problems. But it does not, by any means, ignore the vital contribution made by management in do-

Your company's financing program

. . . have you reviewed it lately?



• In exacting times like these, your financing program needs to be reviewed frequently. For it must be comprehensive and flexible—more than ever geared to changing conditions. A well-organized approach to the financial community is also of great importance.

For years, Irving Trust has specialized in serving public utilities—by maintaining a staff of experts who are exceptionally well-qualified to give your company help and advice. Next time you review your financing program, Irving's Public Utilities Department would welcome the opportunity to contribute its broad experience.

IRVING TRUST COMPANY

ONE WALL STREET • NEW YORK 15, N. Y.

Capital Funds over $117,000,000 *Total Resources over $1,300,000,000*

WILLIAM N. ENSTROM, *Chairman of the Board* RICHARD H. WEST, *President*

Public Utilities Department

TOM P. WALKER, *Vice President in Charge*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

ing the necessary jobs outlined by the act.

BEGINNING on page 292 of this issue, we present an article entitled "Fifteen Years of the Holding Company Act" by NATHAN D. LOBELL, executive adviser to the Securities and Exchange Commission. Obviously, the author speaks to us from the regulatory side of the fence. His view is admittedly—to use his own words—"biased in favor of the Holding Company Act." But it does not by any means ignore the vital contribution made by management in doing the necessary jobs outlined by the act.

MR. LOBELL, who has been with the Securities and Exchange Commission since 1939, is a graduate of Columbia Law School, where he was also an assistant to A. A. Berle, Jr., on special work in the field of corporation finance. He was a member of the staff of the Temporary National Economic Committee, which participated with the SEC in its study of corporate practices. MR. LOBELL subsequently became an attorney on the legal and opinion writing staff of the commission. He has been affiliated with various special assignments throughout his career. On November 21, 1946, he was made executive adviser to the commission. In that capacity, MR. LOBELL serves as a special consultant to the commission on policy and operational problems.

* * * *

JAMES J. KILPATRICK, whose article on a recent interesting experience of an attempted "super co-op" in the Old Dominion state of Virginia begins on page 278, is chief editorial writer of *The Richmond News Leader*. Only thirty years of age, he is a native of Oklahoma City and a graduate of the University of Missouri School of Journalism. He joined the highly respected *News Leader* as a reporter in 1941. He was made associate editor in 1949.

* * * *

ALSO in this issue is a seasonal article (beginning page 286) dealing with legislative trends in the state capitals as they affect public utilities. ARNOLD HAINES, author of this article, has analyzed available information on bills introduced, passed, and pending.

JAMES J. KILPATRICK

AMONG the important decisions preprinted from *Public Utilities Reports* in the back of this number, may be found the following:

THE Virginia commission passes on the question whether the fact that the Rural Electrification Administration may exceed its authority and violate its declared policy by approving a loan to a coöperative has any bearing on a case involving authorization for the coöperative to borrow from the Rural Electrification Administration. (See page 129.)

THE Virginia commission believes that the issuance of securities by an electric coöperative to finance the acquisition of a plant to produce electricity for other coöperatives depends upon the question whether the ultimate consumers will get more abundant power at cheaper rates. (See page 129.)

THE New Hampshire Supreme Court holds that a supplier of electrical equipment holding 20 per cent of the voting stock of a corporation which owns 50 per cent of the stock of a utility is not an affiliate of the operating utility. (See page 155.)

THE next number of this magazine will be out March 15th.

The Editors

Cost Cutter

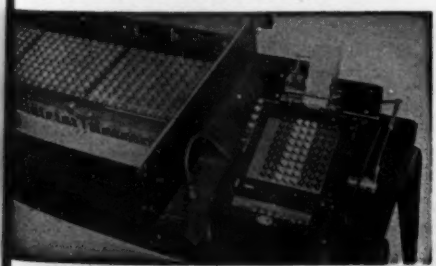
Courtesy Bettmann Archives

THIS grand-daddy of the modern cash register was known as a Cash Recording Machine.

By looking at it carefully, you can see how many of the features of today's cash register originated with this early model.

Year after year, American ingenuity has been making refinements in business appliances, developing new machines to make routine work more efficient.

Not so many years ago, for example, utilities found the task of analyzing consumers' bills for usage data tedious and costly.



With this modern Bill Frequency Analyzer, however, as many as 200,000 bills are analyzed for utilities in one day by the Recording and Statistical Corporation.

It analyzes bills in ½ the time it would take a competent office staff. The cost to the utility, too, is cut in half.

Why not find out more about this unusual service?

Send for FREE booklet

"The One Step Method of Bill Analysis" tells more about this accurate and economical method of compiling consumers' usage data. Ask your secretary to send for it now.

Recording and Statistical Corporation

100 Sixth Avenue, New York 13, N. Y.

Coming IN THE NEXT ISSUE

★

TWELVE YEARS UNDER THE NATURAL GAS ACT. PART I.

Samuel H. Crosby, former examiner with the Federal Power Commission and well-known legal consultant and writer on natural gas regulation under the FPC, is obviously well suited to give us a contemporaneous analysis of background, progress, and outlook for Federal regulation of the gas industry under this important statute. Mr. Crosby has lived with this subject since its inception and knows both the regulatory side and the viewpoint of those who are regulated thereunder.

TRANSIT GIRDS FOR WAR

We don't have to have much imagination to realize what would happen if our public transit facilities were cut off—particularly during the current defense emergency. But transit service is taken so much for granted that the particularly urgent problems of our streetcar and bus companies often escape the attention and understanding of the public. Warren Pollard, president of Virginia Transit Company, gives us a description of the transit industry's difficulties during this critical period and the need of better understanding in the interest of public service.

FRINGE BENEFITS IN UTILITIES

Public utilities have long been far in the lead of those industries which have provided retirement and other employee benefits not strictly tied to the take-home pay check. Marion Hammett, former Labor Department economist, has analyzed the fringe benefits prevailing in utility employment and has written about their scope and comparative value in the over-all employment picture.

THE POWER EMBARGO IN MAINE

Over forty years ago a law was passed in Maine to forbid the exportation of power. The idea behind this law was the hope that industries using power might be disposed to move into Maine because of the abundant hydroelectric resources in the New England area. What has been the effect of such legislation? In this day when embargo on state resources is being considered in other areas, and in connection with natural gas, this account by Dr. Lincoln Smith should make thoughtful reading.

★

Also . . . ***Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.***

Remarkable Remarks

"There never was in the world two opinions alike."
—MONTAIGNE

ERIC A. JOHNSTON
Administrator, Economic Stabilization Agency.

"Inflation is as great a threat as Russia—Russia can lick us if we can't stabilize the economy."

M. S. RUKEYSER
Columnist.

"Finance in the last analysis depends on arithmetic, not psychology. The fundamentals should not be missed at this time of international tenseness."

EDITORIAL STATEMENT
New York World Telegram.

"Americans never have subscribed to the doctrine that 'papa knows best.' They know that open discussion has shaken the bugs out of many a program."

DON G. MITCHELL
President, Sylvania Electric Products, Inc.

"If we pile more hundreds of billions of debt on top of the nearly 300 billions that we now owe, there can be no return to the economic freedom that we now enjoy."

D. J. GUY
Manager, natural resources department, Chamber of Commerce of the United States.

". . . it is difficult to see the benefit to the 'general welfare' in reducing the customer's light bill [through Federal power] and adding the reduction to his tax bill."

THOMAS L. STOKES
Columnist.

"Big oil and natural gas showed their power, too, in defeating for confirmation to another FPC term the veteran Leland Olds, a staunch battler for the public interest."

HARRY S. TRUMAN
President of the United States.

"We must have both an adequate tax program and proper controls on prices and wages if we are to prevent inflation and preserve the value of savings and fixed incomes."

JOHN CHAMBERLAIN
Editor, The Freeman.

". . . Socialism is only good when there is a going capitalist concern outside of it to keep it humane. The more Capitalism there is, the more the check on the coercive aspects of Socialism."

WALT HORAN
U. S. Representative from Washington.

"We on the Appropriations Committee are going to do our level best to cut down on nondefense spending. It will not be easy. It never is. Cuts mean the ending of jobs very often. Also, there are the guaranties of Civil Service—two million people. But we must make cuts. We will."

EDITORIAL STATEMENT
New York Herald Tribune.

"Until politicians started pulling hot chestnuts from the fire for labor unions, the Railway Labor Act had won deserved acclaim from organized labor, the industry, and the public."

STYLES BRIDGES
U. S. Senator from New Hampshire.

"If Stalin himself were given the opportunity to weaken America from within, he could scarcely produce a plan better calculated to destroy this government. We are being asked, literally [in the President's budget message], to spend ourselves to ruin."

Excerpt from New England Letter, published by The First National Bank of Boston.

"Never in the history of this or any other country have there been so many promises made by a government to provide 'benefits' for the people, the ultimate cost of which will run beyond the trillion-dollar mark. The administration is endeavoring to face reality on the military front, and it is equally important that it do so on the economic front. Unless this is done, we may so weaken our system that we may lose the peace even though we win a military victory."

WAYNE COY
Chairman, Federal Communications Commission.

". . . speaking as a bureaucrat coming out of Washington and facing a gathering of citizens and taxpayers, I feel I might well say what James Boswell said when he was first introduced to the celebrated Dr. Samuel Johnson: 'I come from Scotland but I cannot help it.' And I would not be surprised if there were at least some here who in their hearts might echo Dr. Johnson's famous reply: 'Sir, that I find is what a very great many of your countrymen cannot help.'"

C. R. ZARFOSS
Vice president, Western Maryland Railway.

"Those who have taken the time to analyze the situation . . . believe they see a distinct drift in the direction of government ownership and operation of the country's railroads. The fact that there appears to be little sentiment in favor of such a move is meaningless. It can be achieved without any large group of people advocating it. It could come as a result of the drying up sources of investment capital or by default on the part of those who, although greatly preferring private transportation, either see no way out or, seeing it, lack heart for the fray."

RUPERT BECKETT
Former chairman, Westminster Bank of London.

"Of recent years we have witnessed a change from the conception of the State as an impartial umpire in economic affairs to that of the State as the guarantor of a certain standard of material welfare. Much of the progress that has accompanied this change of ideas has been entirely desirable in itself. But the Welfare State has so far remained an organization for distribution; its productive function has not yet reached much consideration. The time has come when, if this latest Utopia is not to go the way of earlier models, attention must be transferred to the less attractive side."

BRYAN, OHIO pioneer user of Diesel Power

Two of the four Nordberg Diesels at Bryan are shown in this view . . . the 9-cylinder, 3600 hp unit and part of the 8-cylinder, 3200 hp unit.

BRYAN'S RECORD OF PROGRESS

. . . another plant that is 100% NORDBERG POWERED

Up until 1907, the municipal plant at Bryan, Ohio used conventional steam power. But that year Bryan made news by being one of the first municipalities to adopt Diesel Engines for power generation. In the ensuing forty-three years, the use of Diesels at Bryan was steadily increased. It is significant that this pioneer Diesel user gradually replaced the older Diesel and steam units with *Nordberg* Diesels, until today it is an *all-Nordberg* powered plant.

Built in sizes from 10 H.P. to 8500 H.P., in a wide range of gas and oil burning types, Nordberg Diesels offer dependable power at low operating cost to meet almost all municipal and industrial needs. Write for further details, outlining your requirements.

NORDBERG MFG. CO., Milwaukee 7, Wis.

BRYAN'S RECORD OF PROGRESS

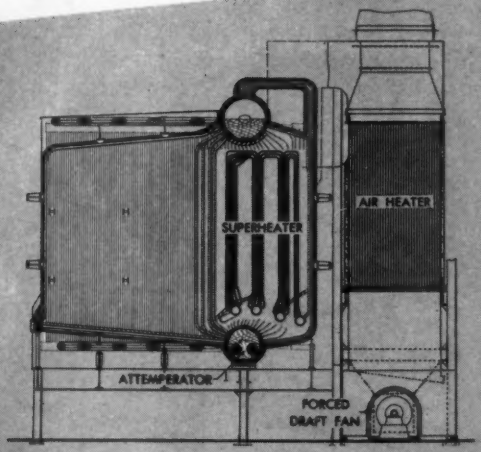
1907	—Installed two 225 hp American Diesel Engine Company* Diesels and abandoned steam generating equipment
1911	—Added a 450 horsepower Lyons Atlas Diesel
1916	—Installed 520 horsepower Busch-Sulzer Diesel
1933	—Installed their first Nordberg —a 1500 horsepower unit
1934	—Added their second 1500 horsepower Nordberg
1939	—Installed a 3200 horsepower Nordberg Diesel
1946	—Installed their fourth Nordberg Diesel . . . a 3600 horsepower unit

**American Diesel Engine Company later became Busch-Sulzer, now a division of Nordberg*

P350

BUSCH-SULZER
A DIVISION OF NORDBERG

NORDBERG
DIESEL ENGINES



B&W Integral-Furnace Boiler, Type FH, with pressurized casing, now in successful operation in outdoor central station installation. Design capacity is 300,000 lb. of steam per hr. at 875 psi and 910 F with gas-firing.

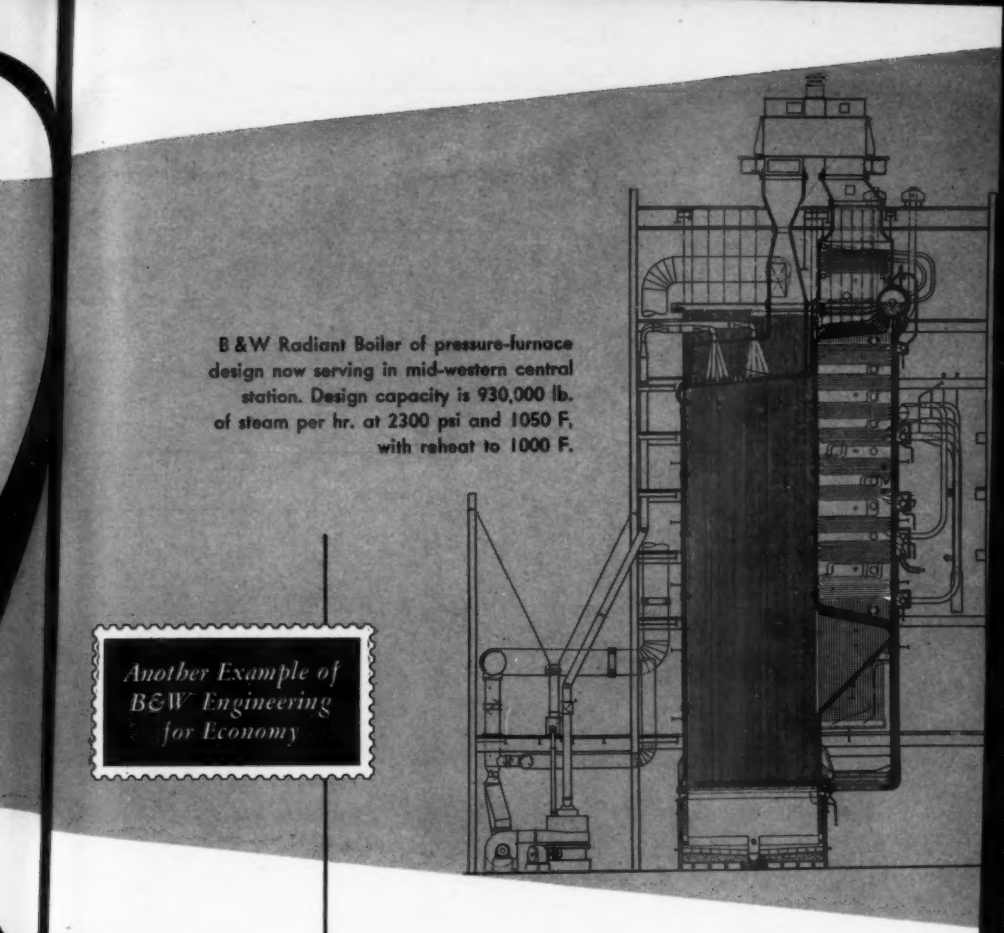
PRESSURIZED

FOR NEW ECONOMIES

Demand charge for Induced-Draft fan capacity may run as high as one-half of one per cent of gross generating capacity . . . an appreciable expense to any central station. Maintenance, too, is excessive because of constant exposure to hot gases and entrained abrasive particles.

These reasons help explain the importance of B&W's latest development —pressurized furnace construction. ID fans can be eliminated and users assured of the four big advantages listed on the opposite page.

A creative approach to boiler design and application, working in close co-operation with far-sighted managements and power engineers, has identified B&W with steam-power progress for more than 80 years. Perhaps it's just what is needed to effect significant steam-generating economies in the solution of *your* present problems or future plans.



B&W Radiant Boiler of pressure-furnace design now serving in mid-western central station. Design capacity is 930,000 lb. of steam per hr. at 2300 psi and 1050 F, with reheat to 1000 F.

Another Example of B&W Engineering for Economy

mproved principle of boiler-furnace operation pioneered by B&W

...OFFERS MAJOR COST SAVING ADVANTAGE

1 Eliminates ID fan — lowers demand charge.

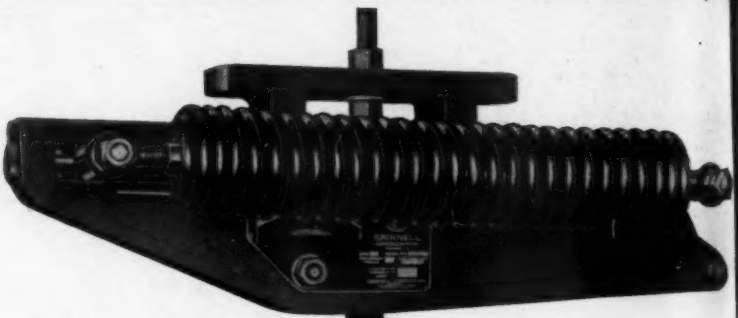
2 Prevents air infiltration — provides higher boiler efficienc

3 Simplifies draft control — permits quick, easy, effectiv adjustment to optimum combustion conditions at all load

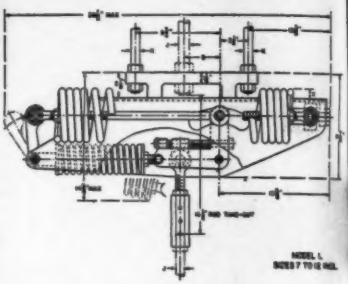
4 Simplifies design — lowers initial cost of duct and sta arrangement.

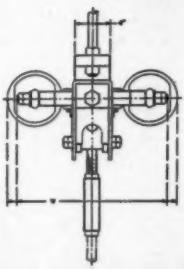
Helping Industry Cut Steam Costs Since 1867

BABCOCK & WILCOX



The New Model L
GRINNELL
CONSTANT-SUPPORT



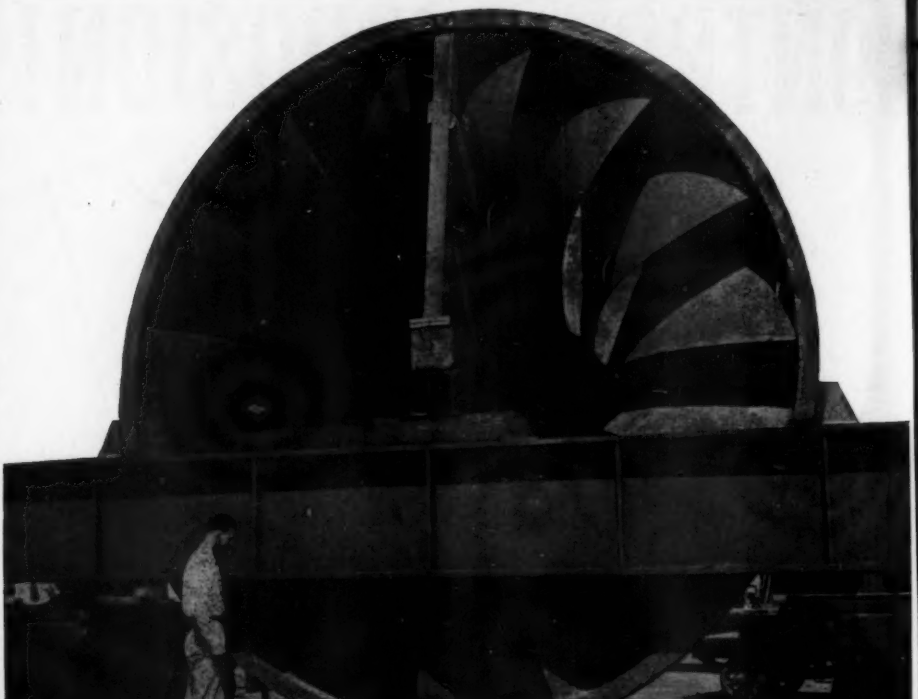


- 16 spring sizes to meet the entire range of loads from 141 lbs up to 19,530 lbs.
- 3 physical structures to accommodate total travel requirements of 2½ inches, 5 inches and 10 inches maximum.
- Wider load range for each hanger size.
- Greater total travel.
- Field load adjustment can be accomplished by turning a single bolt.
- The total travel of sizes 1 through 12 inclusive may be changed in the field.
- The hanger is nearly symmetrical and the load coupling is suspended from the center of the hanger.

Grinnell Constant-Supports maintain full safety factor in supporting high temperature, high pressure piping. They provide constant support to piping subject to vertical movement, in all positions of travel. Non-resonant. Mass-produced from standard precision parts. Individually calibrated for each installation. Minimum headroom required. Data sheets available.

GRINNELL
WHENEVER PIPING IS INVOLVED

GRINNELL COMPANY, INC., Providence, R. I. Warehouses: Atlanta • Billings • Buffalo • Charlotte • Chicago
Cleveland • Cranston • Fresno • Kansas City • Houston • Long Beach • Los Angeles • Milwaukee • Minneapolis • New York
Oakland • Philadelphia • Pocatello • Sacramento • St. Louis • St. Paul • San Francisco • Seattle • Spokane



FACILITIES FOR THE SMALLEST OR THE LARGEST

The 225-acre Newport News plant includes plate steel and machine shops equipped with a complete variety of tools to fabricate items of water power equipment of any size. Contracts received by Newport News for hydraulic turbines with an aggregate rated output in excess of 7,000,000 horsepower have included units as high as 165,000 horsepower and as low as 500 horsepower.

Supplementing the extensive facilities are the equally important experienced and skilled personnel at Newport News to design and build such equipment.

Your inquiries for hydraulic turbines of any size will receive prompt attention.

Write for illustrated booklet on water power equipment.

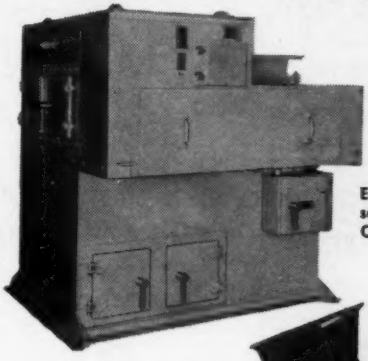
NEWPORT NEWS
SHIPBUILDING AND DRY DOCK CO.
NEWPORT NEWS, VIRGINIA

TWO WAYS TO STOP COAL WASTE

Installation at mid-western Municipal lighting plant showing Richardson Coal Gate, Coal Scale and "Monorate" Non-Segregating Distributor.

RICHARDSON COAL SCALES: One over each boiler automatically gives you a record of coal consumption, by the hour, shift, day, week or month, in stoker or pulverizer firing. You spot inefficient steaming right away, *before* you start paying invisible bills for wasted coal.

RICHARDSON "MONORATE" DISTRIBUTORS: An original Richardson development* which absolutely stops coal segregation in stoker-fired installations. The "Monorate" is just what its name implies—the curved top plate, developed in theory and proved in practice, causes *all* the coal, both lumps and fines, to descend at the same rate so there is no tendency for lumps to separate. You get the same mix across your stoker hopper as you had at the bunker outlet so that most efficient combustion is assured.
*Patent Pending No. 2,258,516



EE-39 Richardson Automatic Coal Scale.

Richardson "Monorate" Distributor Showing Patented Design of Top Plate Which Keeps Lumps and Fines from Separating.

3 BULLETINS AVAILABLE

Send For Them Today For Complete Information On:

Model K-39, for pressure tight (up to 60" of water), large capacity service—400-500 lbs. per discharge—Bulletin No. 0250

EE-39, for dust tight, average service—200-300 lbs. per discharge—Bulletin No. 0150

Monorate, non-segregating coal distributor—Bulletin No. 1349

A COMPLETE RICHARDSON INSTALLATION:

Leakproof **Gate** from the bunker; flexible **Inlet** to scale; **Automatic Coal Scale**; **"Monorate" Non-Segregating Distributor** to stoker; or down-take **Chute** to pulverizer.

Richardson

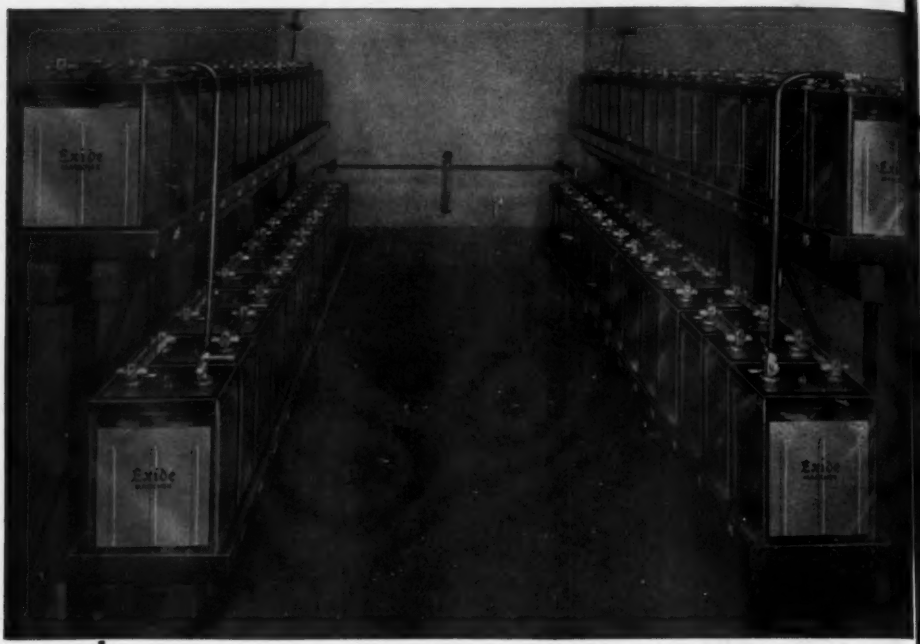
MATERIALS HANDLING BY WEIGHT SINCE 1902

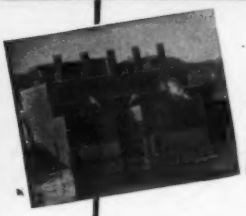
5314

RICHARDSON SCALE COMPANY

Clifton, New Jersey

Atlanta • Boston • Buffalo • Chicago
Cincinnati • Detroit • Houston • Minneapolis
New York • Omaha • Philadelphia • Pittsburgh
San Francisco • Wichita • Montreal • Toronto





Duquesne Light Company's Phillips Power Station, South Heights, Pa. Breaker control battery is 60-cell FME-17 Exide-Manchex. Rack is Exide 37344, 2-step.

AT DUQUESNE LIGHT COMPANY'S Phillips Power Station breaker control battery is Exide-Manchex

Another great utility turns to dependable Exide-Manchex Batteries. In Duquesne Light's modern Phillips Power Station, located on the Ohio River near Pittsburgh, positive switchgear operation is assured by a 60-cell FME-17 Exide-Manchex Battery. This battery controls switchgear of 69 KV, 1200 Amp. breakers, and is set up for emergency duty on motor operated steam valves.

This is just one of the many modern stations throughout the country where dependable performance is provided by Exide-Manchex Batteries. Consider these benefits from Exide-Manchex.

POSITIVE OPERATION: Power is delivered at high or low rates, providing dependable performance at ample voltage with no switching failures.

INSTANTANEOUS POWER, capable of discharging at high rates for switchgear operation and of providing adequate reserve power for the dependable performance of all other control circuits and also emergency lighting.

LOW OPERATING COST: Extremely low internal resistance. Power required to keep battery floated and fully charged ranges between 0.25% and 1.0% of the 8-hour discharge.

LOW MAINTENANCE AND REPAIR COSTS: Water required about twice a year. No change of chemical solution needed during life of battery. Repair costs negligible.

UNUSUALLY LONG LIFE . . . due to sturdy construction; the famous manchester positive plate; a combination of specially treated wood and plastic separators; and other exclusive features.

GREATER CAPACITY in a given amount of space avoids overcrowding of equipment.

These are the features that help to make Exide-Manchex *your best battery buy* for all control and substation services.

THE ELECTRIC STORAGE BATTERY CO.
Philadelphia 2

Exide Batteries of Canada, Limited, Toronto
"Exide" *and* "Manchex" *Reg. Trade-marks U. S. Pat. Off.*

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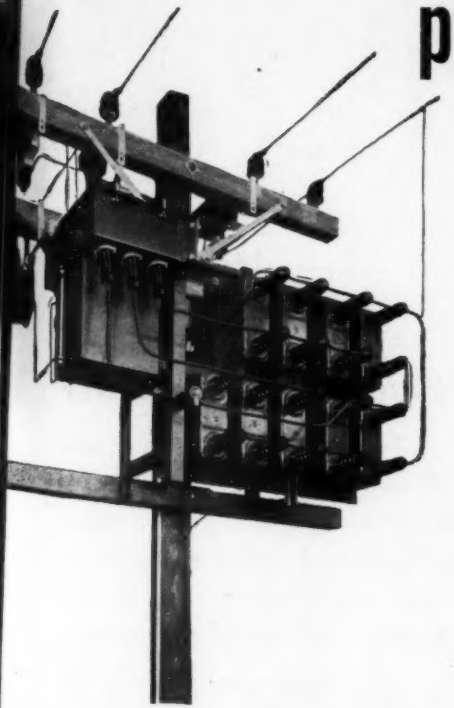
NEW

G-E switched capacitors for pole mounting



The new pole-mounted equipment consists of nine 25-kvar capacitors in a steel rack equipped with cross-arm hangers; a solenoid-operated oil switch; a potential transformer; and an automatic control. The entire equipment is factory-wired and assembled—shipped as a unit, and ready for mounting when received.

Low Cost — Light Weight Factory Assembled

With this equipment you can get switched capacitors—pole mounted—for your distribution circuits—at a lower cost per kvar than ever before.

It's the new G-E open-type 225-kvar auto-switch capacitor equipment. Compact, lightweight (only 950 pounds)—designed specifically for pole mounting, it is available for 4160-, 4800- and 7200-volt circuits, three-phase.

Automatic controls are in a separate housing for mounting at the base of the pole. Inspection and servicing are easy.

Installation costs are low—the equipment is shipped completely wired and assembled. Simply mount the equipment on the pole and connect the controls.

Your nearest G-E Apparatus Sales office has full information. *Apparatus Dept., General Electric Company, Schenectady 5, New York.*

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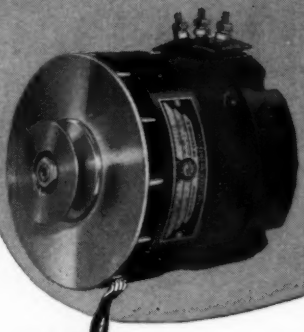

Leece-Neville Alternator System Saves Maintenance, Materials and Manpower

A Leece-Neville AC-DC Alternator System delivers 25 to 35 amperes with the engine idling. This effects substantial gasoline savings and reduces engine wear. Current is delivered at a constant, fixed voltage, which lessens deterioration of scarce radio tubes and batteries.

Most important of all is the famous dependability of the Alternator System. To help insure vital communications in case of disaster, every mobile radio should be equipped with the Leece-Neville Alternator System.

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Pioneer and STILL Quality Leader

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This photo shows Elliott team at its best — three units vital to nomical power generation, group a single utility plant. In the same p although not shown in the photo also an Elliott surface condenser an Elliott evaporator pre-heater.

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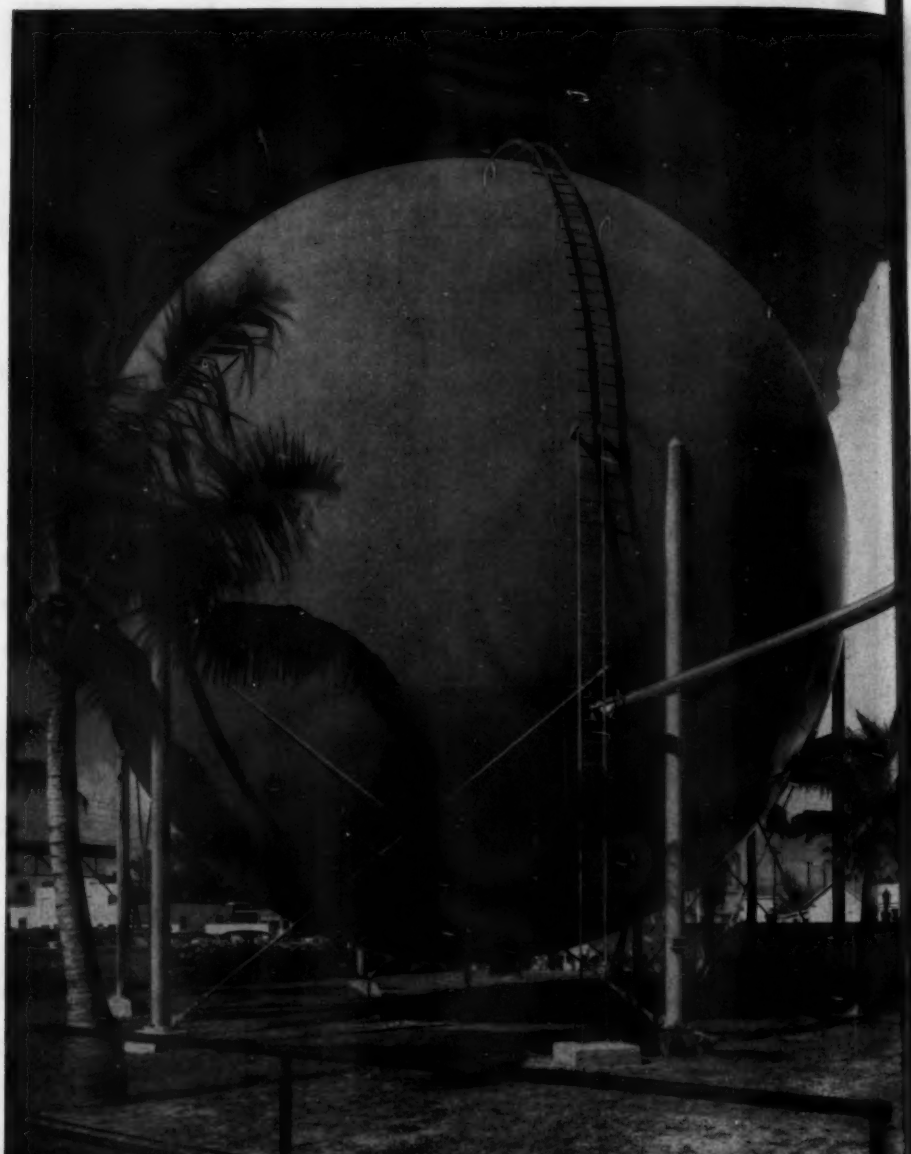
DISTRICT OFFICES IN PRINCIPAL CI

Utilities Almanack

MARCH

1	Th	¶ *Pennsylvania Electric Association, Electrical Equipment Committee, begins meeting, Baltimore, Md., 1951.*
2	F	¶ *Chamber of Commerce of the United States, Natural Resources Committee, begins meeting, Chicago, Ill., 1951.*
3	Sa	¶ *American Water Works Association, New England Section, will hold meeting, Boston, Mass., Mar. 16, 1951.*
4	S	¶ *Liquefied Petroleum Gas Association, Inc., Southeastern District, will hold convention, Atlanta, Ga., Mar. 19–21, 1951.*
5	M	¶ *American Society for Testing Materials begins spring meeting, Cincinnati, Ohio, 1951.*
6	Tu	¶ *American Gas Association will hold eastern natural gas regional sales conference, Pittsburgh, Pa., Mar. 26, 27, 1951.*
7	W	¶ *Protective Relay Engineers will hold annual conference, College Station, Tex., Mar. 26–28, 1951.*
8	Th	¶ *Pennsylvania Electric Association, Prime Movers Committee, begins meeting, Reading, Pa., 1951.*
9	F	¶ *Nebraska Telephone Association will hold annual convention, Lincoln, Neb., Mar. 27, 28, 1951.*
10	Sa	¶ *New England Gas Association will hold annual meeting, Boston, Mass., Mar. 29, 30, 1951.*
11	S	¶ *Oklahoma Utilities Association will hold annual convention, Tulsa, Okla., Mar. 29, 30, 1951.*
12	M	¶ *National Electrical Manufacturing Association begins meeting, Chicago, Ill., 1951.* ¶ *Mid-West Gas Association begins annual convention, Omaha, Neb., 1951.*
13	Tu	¶ *National Association of Corrosion Engineers begins conference and exhibition, New York, N. Y., 1951.*
14	W	¶ *Texas Telephone Association ends annual convention, Fort Worth, Tex., 1951.*



Progress under the Palms

New Hortonsphere erected by Florida Power & Light Company at its Miami gas plant

Public Utilities
FORTNIGHTLY

VOL. XLVII, No. 5 MARCH 1, 1951

The Old South Bursts with New Growth

A comprehensive description of the rapid and wholesome growth of the Southland and the part played by its great utility industries.

By GERARD M. IVES*
VICE PRESIDENT, GUARANTY TRUST COMPANY OF NEW YORK

THE nation-wide upsurge in the social need for electric power and lighting is a phenomenon of our time having a significant phase in the Southland. The expansiveness there shows a vigor which deserves emphasis for several reasons. Its basic economy of agriculture is undergoing a wholesome diversification as new industrialization favors a more balanced economy.

Many of the new industrial settlements do not seem large by comparison with big factories in the overpopulated centers of the North, and the developing industrialization is spread out through many communities over a vast area. The point is stressed, however, that absence of concentrated bigness is a blessing which makes for a more healthy socio-economic "climate" in which both management, labor, and the farmer all benefit. The rural labor displaced

*For additional personal note, see "Pages with the Editors."

by diversifying and modernizing trends in agriculture finds new and good employment in the towns and small cities. That is the basis for a wholesome way of life.

There is another significance. It is that an industrialization which is just as real and impressive is going on *outside* the perimeter of the Tennessee Valley Authority, and this area is far greater than that covered by the TVA.

Why bring up the TVA? Certainly not to further controvert the issue of government-subsidized power, nor to discount the social benefits apparent within the TVA. Instead, the purpose is to point up the equally significant or greater progress in the South where the business-managed utilities have their "sleeves rolled up" for working so commendably as corporate good citizens, community developers, and farsighted business managers. Consider these salient features:

THE American public back in the 1930's was beguiled by the political allure of government hydro as a "yardstick" measure for cheap electricity. This was to attract industrial settlements within the TVA, and it did and still does. But electricity is inexpensive all over the South, and claims of bureaucratic "Liberals" are debunked by the fact today that such significant industrialization proceeds outside the boundaries of the TVA. This is because industry relocates or settles for other reasons than cheap, subsidized electric power, and among these are proximity to raw materials and a socio-economic environment which favors amity in management-labor relationships and a friendly governmental attitude at the local level. Private utilities offer customer services and relationships which governmental bodies usually do not. In the South the utility companies show an aggressive and progressive spirit for inducing new industrial settlements, and working hard for improving their localities. Moreover, their rural electrification progress is very impressive.

Another consideration is that the public need for electricity is much too big for hydro. Even within the TVA itself this is apparent. Thermal generation of power rules the uptrend by reason of economic necessity.

It is the panoramic view of electric power and lighting in the South which is scanned here. Specific mentions among the utilities and industrial settlements are for showing examples and not for invidious comparisons. The progressive growth is general from the Carolinas down through Georgia, Florida, Alabama, Mississippi, Louisiana, and Arkansas. The prospect today is that by 1960 the operating utilities of The Southern Company and of Middle South Utilities, Inc., will need to double their capital investments. Presumably the outlook is no less expansive for others.

THE familiar migration to the South of textile manufacturing has renewed significance, for the trend indicates more synthetic and woolen plants as accompaniments to that established textile manufacturing based on cotton. Du Pont has launched its new $15,000,000 acrylic fiber plant near Camden, South Carolina, and is building a second unit there. Du Pont is planning to utilize a 635-acre tract in the area of Kinston, North Carolina, where a new synthetic "Fiber V"

plant will be established. Celanese Corporation is another textile maker to locate in South Carolina, and Owens-Corning Fiberglas Corporation is locating a new plant at Anderson. Chemstrand Corporation, owned by Monsanto Chemical Company and American Viscose Corporation, is building an acrylic fiber plant (TVA power) at Decatur, Alabama.

Expanding population and diversifying agriculture provide a basis for the enlarging need for electric power and lighting, and it is in point that throughout the entire South air conditioning becomes a significant load factor in the summertime.

NORTH CAROLINA is the leading state in the manufacture of textile products, tobacco products, and wooden furniture. The rated capacity of Duke Power Company in 1950 of 1,362,000 kilowatts may be expected to exceed 2,000,000 kilowatts by 1955. Sixty per cent of this company's sales in the Carolinas are to textile, municipal, and REA customers at an average delivered cost to them of 0.8 cents per kilowatt hour, which invites the interesting generalization that all U. S. industry now uses about 0.8 kilowatt hour per dollar of product, according to the Edison Electric Institute. This amounts to only three-fourths of one cent per dollar of product, as compared with 1.41 cents in 1939.

INDICATIVE of the surgent growth is the action of Carolina Power & Light Company in building 140,000 kilowatts of additional capacity for installing in 1951 and 1952. This company serves its territory well by promoting small rural industry for processing farm products using agricultural labor part time. Results are apparent in canneries, freezer lockers, meat packing, and such.

South Carolina Electric & Gas Company has been busily expanding, and at the turn of the year announced plans for a new steam plant to have an ultimate capacity of 300,000 kilowatts. It will be located between Aiken and Columbia in the area where the government's awesome hydrogen bomb venture is locating. Costing $12,000,000, the first unit is due to go in during the autumn of 1952, and by the time the complete plant is functioning the cost may approximate $48,000,000. Last year the company doubled the capacity of its Hagood steam station near Charleston when a second 25,000-kilowatt unit was installed. When complete, Plant Hagood will have a capacity of 100,000 kilowatts.

Consider the outlook for Charleston

¶ "THE *American public back in the 1930's was beguiled by the political allure of government hydro as a 'yardstick' measure for cheap electricity. This was to attract industrial settlements within the TVA, and it did and still does. But electricity is inexpensive all over the South, and claims of bureaucratic 'Liberals' are debunked by the fact today that such significant industrialization proceeds outside the boundaries of the TVA.*"

as an industrial center, as well as an important seaport. A unique and great engineering project is indicated for damming and utilizing Santee-Cooper river water for industrial purposes. This project augurs much for the Bushy Park industrial sites for factories needing fresh water in big amounts. United Piece Dye Works is a newcomer here, and the civic developers anticipate important plant settlements. The $20,000,000 North Charleston terminals of the South Carolina State Ports Authority constitute a modern, important shipping facility. Charleston now claims the largest number of regular scheduled steamship services of any South Atlantic port. Savannah and Jacksonville likewise look to good futures as South Atlantic ports.

Southern Company System

THE inherently rich natural resources of the Southeast, along with the socio-economic climate conducive to industrial settlement, are reflected in the continued expansion of The Southern Company system, whose constituents are Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company. These companies supply the electric power requirements throughout a 100,000-square-mile area in Alabama, Georgia, northwest Florida, and southeast Mississippi. Their power facilities have been developed and operated as an integrated system for more than twenty-five years, during which period their aggregate utility plant investment has built up to more than $600,000,000. Analysis of load trends, past and present, points to a load which by 1960 should be twice that of 1950 and which is expected to require a doubling of the present plant investment of these companies.

Plant additions for the system during the 10-year period 1941-1950 amounted to $314,000,000 and in the three years 1951, 1952, and 1953, The Southern Company system expects to spend approximately $220,000,000 for additional power-producing and distributing facilities. In these three years 730,000 kilowatts of new generating capacity will be added to the system's present 1,900,000 kilowatts, making a total at the end of 1953 of 2,630,000 kilowatts.

Although the manufacture of textiles represents the largest single industrial load, it is noteworthy that textile revenues at present represent only 36 per cent of the system's total industrial power revenues as compared to 54 per cent in 1939. Thus, industrial diversification is increasing as new manufacturing and distributing facilities are locating in the area and this trend is accompanied by the wholesome diversification of agriculture away from one-crop dependence.

The four operating companies of this system serve 938,000 customers—more than double the number served in 1940, and electric sales in 1950 amounting to 10 billion kilowatt hours were 2¾ times as large as sales in 1940.

NEW industries have been attracted to this region by raw materials, fast-growing markets, available skilled and semiskilled labor, and favorable climate. Although textiles, iron and steel, and pulp and paper manufacturing play an important part in this industrialization, automobile and

South Has Grown Past the Corn Fields

"THE nation-wide upsurge in the social need for electric power and lighting is a phenomenon of our time having a significant phase in the Southland. The expansiveness there shows a vigor which deserves emphasis for several reasons. Its basic economy of agriculture is undergoing a wholesome diversification as new industrialization favors a more balanced economy."

tire makers, chemical, gypsum, cement, and newsprint manufacturers have been turning here in increasing numbers.

With its abundance of coal, iron ore, limestone, and dolomite, Alabama is in an inviting position to attract new steel production. Construction of substantial increases in coking and blast furnace capacities has been recently announced. Alabama already leads in the production of cast-iron pipe. A great salt dome has recently been discovered in southwestern Alabama; the port of Mobile is developing rapidly, with shipbuilding and aluminum figuring importantly.

Early in 1951 Alabama Power Company will complete an additional 100,000-kilowatt unit at its Gorgas steam plant near Birmingham, and later in the year a new 40,000-kilowatt unit at Chickasaw steam plant near Mobile. In 1952 another 100,000-kilowatt unit will be added at Gorgas and an additional water wheel generator of 55,000 kilowatts at Martin dam on the Tallapoosa river.

Westinghouse Electric Company plans to erect a 150,000-square-foot plant one mile south of Reform, Alabama, a Pickens county community about 34 miles northwest of Tuscaloosa. The new factory, which will be the tenth lamp manufacturing facility operated by Westinghouse, will rise on a 70-acre farmland tract.

Reform is served by both the Gulf, Mobile & Ohio and the Alabama, Tennessee & Northern railroads and is on the main gas line of the Alabama Gas Corporation.

When the plant is in operation it will provide jobs for 400 to 500 employees.

Tennessee Steel Corporation intends to erect a $10,000,000 electric furnace steel mill at Oneida, Tennessee, having a rated capacity of 136,000 tons a year.

Georgia textile mills, as well as those in Alabama, are operating at an all-time high and many are now completing substantial expansion programs. Paper mills are running at full capacity and expansion of chemical and steel fabricating plants is going forward rapidly. Wallboard and glass manufacturers are among the new customers in these parts.

Georgia Power Company's Community Development and Champion Home Town programs have received wide publicity for their achievements and many new factory settlements have been obtained.

THIS company recently completed the installation of two 100,000-kilowatt units at its new Plant Yates, near Newnan, and another unit of the same size will be added here in 1952. The Bartletts' Ferry hydroelectric plant, near Columbus, will be enlarged in 1951 by the addition of a 20,000-kilowatt water wheel generator and its Furman Shoals hydro development, near Milledgeville, with 45,000-kilowatt capacity, is scheduled for completion in 1953. The company's new steam-generating facilities will include Plant McManus, near Brunswick, and a new plant near Augusta, both of initial 40,000-kilowatt capacity, the former scheduled for completion in 1952 and the latter in 1953.

Industry in northwest Florida, served by Gulf Power Company, centers on the products of the pine tree.

An interesting illustration is the integrated operation of St. Regis Paper Company, near Pensacola—from pine seedling nursery to forest to pulp mill to paper mill, and finally, to multiwall paper bag.

Pine stumps form the basis for a progressive chemicals industry yielding rosin, turpentine, pine oil, and wallboard, and typified by the Newport Industries plant at Pensacola.

Contributing to the development of northwest Florida are its military installations. Navy and Air Force bases in the area have a combined payroll of $75,000,000 annually and considerable expansion of these operations is in prospect.

Gulf Power Company has under construction, for operation in 1952, an additional 30,000-kilowatt unit at its Pensacola steam plant and a new plant at River Junction, on the Apalachicola river near the Florida-Georgia state line. A second 40,000-kilowatt unit will be installed in this plant in 1953.

Florida's Growth

CONSIDER the growth of Florida generally. Significant in the rapid population uptrend is the fact that tourism is a year-around development involving summertime vacations as well as during winter. Many elderly persons are moving here from the North to enjoy the milder climate, and as their numbers increase there become more commercial establishments to serve them.

The Florida Power Corporation

territory is developing as a twelve months' vacation land. This utility serves a majority of the citrus processing plants and a substantial portion of the citrus growing belt in central Florida. Likewise, it serves much of the phosphate mining area and, in fact, its service reaches into southern Georgia.

In 1949 the peak load of Florida Power Corporation was 219,400 kilowatts, by Federal Power Commission rating, and consider that in 1957 its estimated peak load on the same basis is expected to be 535,000 kilowatts. New capacity under construction and on order includes 40,000 kilowatts in 1951, 65,000 kilowatts in 1952, 40,000 kilowatts in 1953, and 40,000 kilowatts in 1954.

Industrial consciousness is new in Florida, and justifiable by reasons of climate, resources, labor, and political conditions. This is especially true for small factories. Garment making, hosiery and knitting mills, leather tanneries and such have become good electricity users. Frozen concentrated orange juice is proving a boon to a more stable agriculture, and these concentrate factories may be applied to concentrating other products during the citrus off season. To this end experimentation is under way on milk, tomatoes, pineapples, etc. One large plant makes bland oil from citrus seeds. The increasing production of winter vegetables involves quick freezing plants and storage facilities.

PHOSPHATE mining should continue very active. Large producers have new mine site plants for processing it into soil fertilizer. Victor Chemical Corporation operates an elemental phosphorus plant. Paper mills are expanding and show real possibilities for developing papers from hardwoods as well as from the fast-growing abundant pine. Prospects also favor plastic manufacturing, synthetic fibers, and other materials.

Tampa Electric Company's load is approaching 150,000 kilowatts, and by 1960 this will have doubled on the basis of what appears to be the prospect today. During 1950 two new units rated at 30,000 kilowatts each were installed. Florida's population increase over the past decade has been 46 per cent and the number of customers on Tampa Electric Company lines has jumped from 47,000 to 90,000, with a gain of 6,500 within twelve months.

A better popular appreciation of Florida's year-around climate has encouraged many erstwhile winter visitors to build and stay. This is not a "boom" situation but rather a normal trend. Over one-half the revenues of Florida Power & Light Company, Miami, derive from the southeastern Atlantic section so renowned as a

winter playground. More and more people are coming to enjoy its seashore during summertime. If the growth apparent during the last fifteen years continues to prevail, it looks as if Florida Power & Light Company will need to enlarge its system capacity from 446,000 kilowatts to something like 1,250,000 kilowatts by 1960. This company plans additions of 33,000 kilowatts in 1951, 75,000 kilowatts in 1952, and 75,000 kilowatts in 1953. Kilowatt-hour sales have been increasing about 15 per cent annually through recent years.

Middle South Region

OUR panorama of electricity progress is outstanding in the region of the Middle South Utilities, Inc., whose constituents are Mississippi Power & Light Company, Louisiana Power & Light Company, New Orleans Public Service Inc., and Arkansas Power & Light Company.

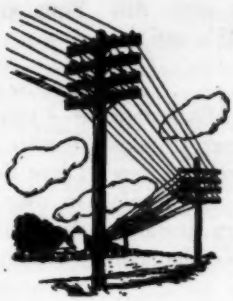
The Middle South is blessed with great resources in land, timber, natural gas, petroleum, salt, sulphur, clays, coal, barite, and bauxite. Known reserves of petroleum are of the order of 2.6 billion barrels in the area of Arkansas, Louisiana, and Mississippi. This oil and natural gas augur greatly for the future of petro-chemicals as well as for fuels.

The region is strategic for deep water shipping into world commerce. The historic growth of the Gulf coast's chemical industries, from Texas upward into Louisiana and Arkansas, is a sort of "industrial revolution" of our time. Middle South has the wherewithal in the forms of salt, limestone, fats and oils, sulphur, coal, petroleum, and natural gas. The example of the Lion Oil Company as a producer of ammonia and high-nitrogen fertilizer is indicative, and this company has been expanding notably.

THE modern trend of applied science, mechanization, and diversification of agriculture is apparent generally in the South, and certainly so in the region which calls itself the Middle South. If Old King Cotton is following the destiny of human royalty, it is still the largest crop. Better productivity per acre may be expected to result from the usage of flame cultivators, mechanical pickers, and defoliation methods. More tractors and farm equipment especially designed for Middle South farming should prove beneficial.

The trend is toward larger farms tilled by fewer persons, implying more prosperity per farm while industrialization creates new employment for the rural labor displaced. Scientific practices are coming into acceptance, portending a wiser use of fertilizer, better insect control, rotation of crops, and improved land use through growing crops best adapted to the soil. Forestry management is equally progressive in the long-term outlook for pulpwood and paper making as more marginal land is applied to growing pulpwood and reforestation is encouraged.

ALL over the South livestock and dairying, thanks to year-around pasturage, are significant aspects of the changing agricultural economy in which oats, soybeans, sweet potatoes, and tung nut meal all figure. More uses for bagasse from sugar cane, es-



Modernizing Old King Cotton

"THE modern trend of applied science, mechanization, and diversification of agriculture is apparent generally in the South, and certainly so in the region which calls itself the Middle South. If Old King Cotton is following the destiny of human royalty, it is still the largest crop. Better productivity per acre may be expected to result from the usage of flame cultivators, mechanical pickers, and defoliation methods."

pecially for paper, are indicated. By 1955 it is predicted that 80 per cent of the Middle South's corn will be hybrid corn, increasing the yield about 25 per cent per acre. Promising is the non-wilt variety of cotton, with the cotton plant being able to show more resistance to insect infestation. A hybrid sugar cane adaptable to mechanical harvesting is in prospect.

Food processing is increasing, with emphasis on frozen foods and dehydrated products. Some of the region's principal processed foods are frozen shrimp and crab meat, oysters, strawberries, poultry, and such crops as beans, sweet potatoes, and cottonseed products. Seafoods are the basis for a multimillion-dollar gulf industry.

Mississippi's first oil well was brought in only eleven years ago. The state now has some 1,500 oil wells and 150 gas wells in production and active exploration continues. This state is the largest producer of tung oil, used in paints and lacquers, from tung nut trees—a newly developing industry of significance. Mississippi also leads the nation in the production of hardwood lumber.

The state's BAWI (Balance Agriculture with Industry) program, headed by industrial and civic leaders, has been phenomenally successful in the opinion of its sponsors.

Mississippi Power Company (Southern Company system) has recently completed a 67,500-kilowatt steam plant near Hattiesburg, where the new toxaphene manufactory of Hercules Powder Company is located. The power company is building an-

other new plant near Meridian, where the first 40,000-kilowatt unit will begin operation early in 1951, and the second in 1953.

ABOUT 40 per cent of Mississippi Power Company's energy sales are to industrial customers as new factories locate in the area. Electronic laboratories with accessory installations are scheduled for Keesler Air Force Base at Biloxi.

Mississippi Power & Light Company (Middle South Utilities, Inc.) figures in this expansiveness. About $7,000,000 will be spent in 1951 on new construction, with comparable amounts to be expected during the ensuing few years. Among developments deserving mention are the pipeline which Gulf Refining Company plans from the heavy oil fields of Mississippi into Mobile, for this state ranks ninth among the nation's oil-producing states with a monthly output of some 3,400,000 barrels. The $4,000,000 new plant of Marquette Cement Company may be completed at Brandon by autumn, and Cargill Brothers plan a 100,000 bushel grain elevator at Natchez where International Paper Company has a new sulphate process operation for making pulp for rayon and other synthetic textiles. Milk processing at Magnolia is indicated by Kraft Foods Company, and at Kosciusko the Superior Coach Company has a new factory on an 80-acre tract. Mississippi Agricultural Chemical Company will manufacture ammonia in its new $11,000,000 plant at Yazoo City, as a customer of Mississippi Power & Light Company, and Greenville is proud of being selected as the site for a new carpet manufacturing plant of Alexander Smith & Sons, employing 600 to 900 persons.

About Louisiana

LOUISIANA provides more of the same story, with New Orleans Public Service, Inc., and Louisiana Power & Light Company figuring prominently. In four years the average income of the Louisiana family has gone up 26.8 per cent as compared with 9.7 as the nation-wide average. New Orleans moves forward ambitiously as a world seaport and business capital. Offshore and inland have rich resources in oil and natural gas. A few recent mentions of tangible growth include the new office building of Humble Oil Company, the $4,000,000 twine plant for International Harvester Company, and the manufacture of precision optical lenses (and ultimately a whole line of optical instruments) by U. S. Optical Corporation.

In view of its natural resources, it is logical that Louisiana's chemical industries' products now exceed $317,000,000 in value. The new facility for sulphur extraction at Starks Dome in Calcasieu parish figures in the outlook; Continental Oil Company has a $10,000,000 program for its Lake Charles refinery; Ethyl Corporation has expanded its operation at Baton Rouge, where Ideal Cement Company is locating a $4,000,000 plant capable of producing 1,500,000 barrels a year. Commercial Solvents Company is building a nitrogen solution plant at Sterlington, and a big gas processing plant of the Delta Company is indicated for Pointe a la Hatche.

The electric power available in Louisiana will soon be 2½ times greater than in prewar 1940. Planned

constructions include a 44,000-kilowatt addition at Baton Rouge by Gulf States Utilities Company. Completion nears for the Louisiana Power & Light Company $10,000,000 plant capable of producing 70,000 kilowatts at Nine-Mile Point on the west bank of the "Father of Waters," to be followed by a second and larger unit.

More of this surgent expansiveness is under way in Arkansas, where Arkansas Power & Light Company pioneered in rural electrification long before the REA came into being in 1934. This utility granted a low promotional rate to REA coöperatives on a basis well below what it would cost them to generate their own electricity. The company has worked well with the farmers' co-ops. Its Lake Catherine plant is undergoing a $9,000,000 expansion which will double its capacity to 200,000 kilowatts, and it plans three transmission lines to cost $2,000,000 into east Arkansas where its Hamilton Moses plant of 150,000 kilowatts is nearing completion.

Among recent industrial announcements are a 25 per cent boost in aluminum capacity by Reynolds Metals Company. A large plant will be operated at Elaine by Countiss Granary, Inc., for the drying, storing, and processing of rice, wheat, oats, soybeans products. Crompton Company plans its second Arkansas plant at Osceola for corduroy, and the Pan-Am Southern Corporation has begun making petroleum coke at El Dorado where Lion Oil Company is centered. Important is the expansion of the rocket plant at Camden of the U. S. Naval Ammunition Depot.

That is the panoramic view—if incomplete in many spots—of the southern progress as it looks from the perspective of the New York financial district. The Federal Power Commission has predicted a boom in the South and Southwest for the next two decades, with population and industrialization due to increase significantly. Electric requirements of the great region by 1970 may be anticipated to reach 45 billion kilowatt hours, as compared with 14.5 billion currently, as the FPC reckons.

A familiar consideration is the South's abundance of fuels. In the eastern portion the renowned Southern Appalachian bituminous coal fields have proximity to the electric utilities. Natural gas is becoming increasingly available and fuel oil quite accessible.

In this panorama of progress is another wholesome reality. The basic economy is still agricultural and the diversification away from the historic one-crop dependence is beneficial. Industrialization makes for a healthy economic balance, as factories generally locate in small communities or cities offering a better socio-economic environment at the "grass roots" in which management, labor, and farmer are better off.

As a world capital of banking and finance, the New York city financial district prospers best when all America prospers. It is an inspiration to see this rapid and wholesome growth of our great Southland, and a pleasure to congratulate the business-managed electric utilities there for working with their "sleeves rolled up" in this phenomenal growth.

Setback for a Super Co-op

The Virginia Electric & Power Company's determined campaign to preserve private power in the upper South was successful in December, when the Virginia Corporation Commission rejected the Old Dominion Electric Coöperative's petition for a $16,000,000 REA loan.[1] What happened in the long fight that preceded the commission's order is told.

By JAMES J. KILPATRICK*

They stunned an octopus in Virginia the other day, and maybe killed it. On December 12th, one year to the day after the 11-armed Old Dominion Electric Coöperative had asked authority to borrow more than $16,000,000 from the REA, the Virginia State Corporation Commission denied the loan application and ruled that the member co-ops should continue buying their energy, for the most part, from the Virginia Electric & Power Company.[1]

The commission's decision came as the second preliminary victory for private power in the upper South in the course of a month. On November 16th, Examiner Frank Hampton of the Federal Power Commission had filed a final recommendation that Vepco be granted a license for a hydroelectric dam at Roanoke Rapids, North Carolina; this victory had been two years in the winning, over bitter opposition from the REA coöperatives and the Department of the Interior.

Vepco's successful fight in the Old Dominion Case was perhaps the more important of the two. It was waged under a curiously phrased law which appeared to read strongly in the co-op's favor; it was fought against the intangible political pressure of more than 50,000 farm families; it was fought against top-notch counsel. But, in the long run, it proved to be a fight that everybody won.

In many respects, Vepco's struggle against the Old Dominion Electric Coöperative paralleled its struggle in the Roanoke Rapids Case before the Federal Power Commission. Here again, up was down and down was up, and white was black and black was white, and what was good for the co-ops was bad for Vepco; but behind the elaborate façade of law books and

*For personal note, see "Pages with the Editors."

[1] *Re* Old Dominion Electric Coöperative (1950) 86 PUR NS 129.

briefs, though no one ever said much about it, was the basic issue of whether private power would be replaced and eventually destroyed in Virginia.

OLD DOMINION was chartered September 23, 1948, as one of the 28 super coöperatives created by the REA in recent years. It was formed from 11 member REA coöperatives ranging in size from the Prince George Electric Coöperative at Waverly, with some 1,200 consumers, to the Southside Electric Coöperative at Crewe, with nearly 10,000. All told, the 11 then had some 51,000 consumers spread over 59 counties in south, central, and western Virginia.

In the early months of 1949, the Old Dominion completed arrangements with the REA in Washington to borrow enough money to build its own steam-generating plant and to erect transmission lines linking the plant with the member co-ops. The REA gave the plan its blessing, and the ODEC then turned to the state corporation commission for the vital approval required under Virginia's Public Utilities Securities Law. On December 12, 1949, its application was filed.

Briefly, ODEC asked approval for a loan of $14,320,000 to cover costs of erecting a 30,000-kilowatt plant at Warminster in Nelson county and building 966 miles of new transmission lines. The super co-op also proposed to assume a $440,000 loan authorized for the Shenandoah Valley Electric Coöperative and to borrow $1,631,000 for the purchase of minor transmission lines and some small Diesel and hydro generating stations (aggregating 6,032 kilowatts) owned by the member coöperatives.

Ostensibly, Old Dominion's purpose was to obtain a cheap and dependable supply of electric power for the member coöperatives. The ODEC's position was that Vepco had failed to provide such a supply, that Vepco could not be relied upon to supply it in the future, that Vepco's rates were too high. Old Dominion emphasized that the law permits REA loans for generation and transmission. Indeed, it was pointed out, upwards of $257,000,000 in loans for super co-ops, sufficient to provide 620,000 kilowatts of generating capacity and 14,000 miles of transmission lines, had been approved by the REA in the last fourteen years. The Old Dominion, it was argued with something of an injured air, was nothing new.

YET it was new to Virginia, and the ostensible purposes of the loan were puzzling. The coöperatives asserted that they could not obtain sufficient power from Vepco, yet all Vepco's postwar restrictions had been removed in September, 1949, nearly nine months before Old Dominion's case came to trial.

The coöperatives assailed Vepco's established 10-mill rate repeatedly, yet they spurned the company's offer, in April, 1950, of a 7½-mill rate on a 5-year or 10-year contract. The coöperatives insisted their aim was "cheap" power, yet the overwhelming evidence proved that Old Dominion could not provide power nearly as cheaply as Vepco could provide it.

The coöperatives pointed, with some accuracy, to inadequate reserves on

Vepco's own system in the past, but they brushed aside the evidence that Vepco would have a healthy reserve of 13 to 19 per cent by the time Old Dominion could get in operation in 1952.

The coöperatives denounced Vepco bitterly for its failure to serve rural Virginia and insisted that only through REA could rural areas be adequately served in the future; yet the evidence showed that Vepco already was supplying two-thirds of the rural customers in ODEC's proposed system—further, that rural electrification has reached a 90 per cent saturation in Virginia, and that the state's rural population is trending steadily downward.

The real reason for Old Dominion's existence became clear as the trial proceeded. The coöperatives' object was not cheap power; it was their own power at any cost; the aim was not dependability of supply, it was independence from Vepco. The "real issue," said the coöperatives' counsel in an unguarded moment, was whether the farmers and rural people would be "denied the right to serve themselves, through their own facilities."

THAT such an abstract "right" may exist, few persons would deny. It does not exist, however, *when it is predicated upon the use of public funds.* But the Old Dominion could not see this. The super co-op's bland proposal was to borrow 100 per cent of its needs from the Federal Treasury, erect a vast web of transmission lines crisscrossing the Vepco system, tie these lines into the tremendous Buggs Island public power development on the Roanoke river, and bring the blessings of public power to more than half the counties of Virginia. From innocent little acorns, the advocates of public power looked forward to some gigantic spreading oaks.

ODEC's petition no sooner had been filed than Vepco asked, and was granted, permission to intervene. The commission's accounting division examined the co-op's proposition, and found it unsound; the commission's engineering division examined it, and found it unsound. Both divisions declared that the super coöperative could not, in fact, supply power more cheaply to the rural consumers than could Vepco. Months later, after 3,600 pages of evidence had been taken, the full commission was to agree unanimously with this view.

Trial of the case began before the commission on April 24, 1950, with an unsuccessful attempt by ODEC attorneys to restrict the scope of the proceeding to one narrow point: In

¶ "THEY *stunned an octopus in Virginia the other day, and maybe killed it. On December 12th, one year to the day after the 11-armed Old Dominion Electric Coöperative had asked authority to borrow more than $16,000,000 from the REA, the Virginia State Corporation Commission denied the loan application and ruled that the member co-ops should continue buying their energy, for the most part, from the Virginia Electric & Power Company.*"

the language of Virginia's Securities Law, was a loan of $16,000,000 "reasonably necessary" to cover the purposes proposed in the application? The commission refused to split hairs. It ruled that the purposes themselves must be examined, and not merely the size of the loan to meet these purposes.

Then a remarkable legal concept was advanced: Old Dominion argued that its charter, obtained under routine procedure from the state corporation commission, was "property" within the meaning of the state Constitution. For the SCC to refuse to permit Old Dominion to fulfill the purposes envisioned in the charter, the co-op argued, "would be a taking of its property without due process of law in violation of the Constitution of the United States." Apparently not even the co-op's counsel thought much of this line of reasoning, for it was not pursued.

On another tangent, the ODEC bitterly resisted the admission of any evidence concerning Vepco's proposed rates for power. The Electric Coöperatives Act in Virginia requires the co-ops to provide power "at the lowest cost consistent with sound economy and prudent management," but the Old Dominion insisted the phrase applied to internal management of a coöperative only. If Vepco could supply the member co-ops at lower cost than Old Dominion could supply them, such a fact was—in ODEC's view—wholly irrelevant. The commission flatly rejected this concept of the law.

Turning finally to the merits of the case, the coöperative submitted detailed testimony on its proposed generating and transmission system. It offered a most attractive layout—from the ODEC's view: 952 miles of new 69-kilovolt lines, 14 miles of new 22-kilovolt lines, 190 miles of other lines, interconnected loops with overhead ground wire protection throughout the system, a brand-new 30,000-kilowatt steam plant at Warminster. At one point of a triangle would be the giant Buggs Island dam, churning peak power into the Old Dominion system; at another point would be the Warminster steam plant; at the third point would be the public power projects at Salem Church on the Rappahannock river and at Gathright on the James. Inevitably, said the coöperative dreamily, this would be interconnected with Vepco's system to everyone's mutual advantage.

Could the proposed system be soundly financed? A parade of witnesses gave rosy testimony. One witness, carried away, declared that by 1985, the Old Dominion would be "sitting pretty on top of the world." Revenues would keep rolling in—more than enough to pay off the loan in the required period. Customers would keep rolling in, too—72,000 consumers by 1953, 80,000 by 1958. Demand would keep soaring—193,000,000 kilowatt hours by 1953, 283,000,000 kilowatt hours by 1958.

What about upkeep on the system? Old Dominion's evidence fairly sparkled. Because everything would be new, depreciation and replacement could be calculated at half the retirement ratio established by the Edison Electric Institute for private industry. Because everything would be constructed so sturdily, there would be

Relative Reliability of Power Reserves in Virginia

"'THE commission . . . rejected Old Dominion's argument that Vepco would not supply dependable service. By 1952, the SCC felt, Vepco would have adequate reserve power; if one of Vepco's units should go out, its customers would not suffer, but 'if one of Old Dominion's units at Warminster should be out of commission for any length of time, the consequences might be serious.'"

practically no outages. And if rare outages did occur, then the member coöperatives would have plenty of crews to patch things up.

Old Dominion was confident its coal costs would remain low; one exhibit even suggested a steady $8.40 a ton for thirty-five years. Its labor costs also would be modest. The super co-op happily looked forward to securing right of way for its transmission lines at $450 to $500 a mile, though Vepco's costs for right of way were averaging $1,500. Because of a "Memorandum of Understanding" with the Southeastern Power Administration, ODEC figured on paying not more than 4 mills for primary energy (plus a demand charge) from Buggs Island and felt that eventually this might be reduced by 25 to 30 per cent. Old Dominion's poles would last for forty years, and parts of its steam plant apparently would last forever; (in any event, one witness calculated a 0.65 per cent replacement rate that would take Old Dominion nearly 160 years to get back its original cost). Everything, in short, would be lovely, lovely.

At about this point in the case, some of the up-is-down and down-is-up inconsistencies began to appear.

Old Dominion had sniffed contemptuously at Vepco's "highly touted" interconnections with other utilities in the upper South; such arrangements, it was argued, were virtually valueless. But, at another point, the ODEC's witnesses said warmly that for Old Dominion to have an interconnection with Vepco would be "beneficial" and "mutually helpful."

OLD DOMINION could not get its attitude straight on Vepco's rates, past or future. In one voice, it was argued that Vepco's 10-mill rate (on the high side of substations) had been "unreasonably high," but Old Dominion's rate to the member coöperatives

(on the low side) would start out at 10.36 mills and increase to 10.8 mills after 1958. In Old Dominion's case, these rates would be "reasonably low." But if Vepco had been abused for its 10-mill rate, it did not escape abuse by offering 7.5. This offer, cried the Old Dominion hotly, was a mere effort to bribe Old Dominion out of existence. And besides, said the coöperative with unexpected solicitude for city dwellers, it would discriminate unfairly against Vepco's other customers.

THERE was the same contradiction on the question of competition. Old Dominion insisted in one breath that it would not be competing with Vepco. Then, forgetting the specific mandate of Federal law, Old Dominion insisted that Vepco was not entitled to be protected against competition and that Old Dominion and Vepco might be compared to two grocery stores found in the same block.

Old Dominion scoffed at the idea that any utility should rely upon another company for reserve capacity. Then Old Dominion conceded—even boasted—that its principal reliance for reserve energy would be upon Buggs Island.

And so it went. The coöperatives had thrown a wrench into Vepco's plans for the Roanoke Rapids dam nearly a year before the Old Dominion application had been filed, but they charged that Vepco had "started a war" between power suppliers in Virginia. The coöperatives had put Vepco to an exhausting 2-year battle in the FPC, but they complained heavily of the "expensive litigation" that Vepco had caused them to undertake in the Old Dominion Case.

THE coöperatives denounced Vepco's service unmercifully, and then confessed it had been largely satisfactory for the past year. They felt the Old Dominion would have no difficulty in obtaining skilled labor, though Vepco's wage scale was 15 per cent above that which the co-op proposed. They insisted farmers were dissatisfied with Vepco facilities and wanted nothing but the best; yet the ODEC's key witness, searching for a simile, said the farmers would be as satisfied with the proposed ODEC system as he himself was satisfied with his own refrigerator. Dr. Persons' refrigerator, it developed, was eighteen years old.

Over and over, the Old Dominion proclaimed that its aim was to provide power for the farm people of Virginia, but it complained indignantly that the member coöperatives, if they entered into a contract with Vepco, would deprive themselves "of the right to serve certain commercial and industrial loads."

The coöperatives insisted there would be no substantial duplication of facilities. Yet the evidence indicated that of 1,156 miles of line in the Old Dominion system, all but 207 would fall within 10 miles of existing private power lines. It was shown that Vepco could reach every point in the Old Dominion system by building 167 miles of line at a cost of only $1,862,000, compared to ODEC's 966 miles of line at a cost of more than $7,600,000. Seventy-five per cent of Old Dominion's investment in transmission lines, in short, would amount to what a Vepco engineer termed "useless duplication of facilities." Yet Old Dominion, thrusting aside the exhibits

which disclosed an overlying pattern of grids, insisted that the issue of duplication had been "grossly exaggerated."

"Wherever two grocery stores are to be found in the same block," said Old Dominion blandly, "there may be said to be some duplication of facilities. The additional investment which either store would require to serve all of the customers involved would probably be somewhat less than the combined investment of both stores. In our economic system, however, this is considered a small price to pay for the benefits of *free, competitive enterprise.*" (Italics my own.)

THUS the Old Dominion wended its two-faced way. It was, by its own insistence, a protected coöperative, tax-exempt, a "preferred customer" entitled to first claim on benefits from public power. And by another concept, it was just a part of the good old competitive free enterprise system, ready to do its share "to preserve our way of life."

The coöperatives were, by their repeated declaration, in wonderful financial shape; yet audits indicated that 9 of the 11 member units were in the red with an aggregate deficit of $650,000.

Nothing was more important to the coöperatives than having cheap, dependable power; but the evidence showed conclusively that while Old Dominion's power might be dependable, it certainly wouldn't come cheap.

And there was the rock on which the case broke.

On December 12, 1950, the corporation commission's Judge Ralph Catterall, one of Virginia's ablest students of the law, handed down an opinion rejecting Old Dominion's principal arguments. What was the purpose of the loan application? Manifestly, the purpose was to build a steam plant and transmission system. Was this a "reasonably necessary" purpose? It might be reasonably necessary from the super coöperative's point of view. But beyond this, was the proposed ODEC system "reasonably necessary" for the coöperatives to fulfill their responsibility to the public interest—to provide the best possible service at the lowest possible cost?

Clearly, it was not. The crucial question, Judge Catterall found, was "whether the 11 member co-ops can furnish their customers cheaper and better service through the instrumentality of Old Dominion than they can by continuing to purchase power from Vepco." His conclusions were buttressed solidly by the evidence: (1) "The money to be spent by Old Dominion will not produce cheaper electricity," and (2) "Old Dominion would not give better service than Vepco."

TAKING the ODEC's evidence in the most favorable light, the SCC found that over the 35-year period of the proposed loan, the member coöperatives would pay $20,026,000 less for Vepco power than they would pay for Old Dominion power in the same period. "We believe they will save substantially more," Judge Catterall added.

The commission was unimpressed by the co-op's plea for independence: "If the co-ops build the Warminster plant they will be mortaged up to the hilt to REA; a man or a coöperative

heavily burdened with debt is not independent."

In response to the Old Dominion's claim that the coöperatives' customers are overwhelmingly in favor of the ODEC plan—"they know what the score is"—the commission tartly observed:

"The score is that Old Dominion power would cost the consumers at least $20,000,000 more than Vepco power. If they fully understood that was the score, would a majority of the consumers vote to saddle themselves with that much additional expense over a period of thirty-five years? It seems unlikely."

The commission also rejected Old Dominion's argument that Vepco would not supply dependable service. By 1952, the SCC felt, Vepco would have adequate reserve power; if one of Vepco's units should go out, its customers would not suffer, but "if one of Old Dominion's units at Warminster should be out of commission for any length of time, the consequences might be serious." Weighing all the evidence, the commission "finds as a fact that Vepco is ready, able, and willing to give the 11 member coöperatives at least as good service as Old Dominion would be able to give."

As this is written, the super co-op has announced its determination to appeal the commission's decision, and a spokesman for Old Dominion has denounced the SCC for being less considerate of Virginia farmers than the Kentucky Public Service Commission proved to be toward Kentucky farmers when it recently approved a similar scheme in the Blue Grass state.

The Virginia Supreme Court of Appeals will certainly give the commission's opinion careful attention. When a final order is entered, Virginia farmers may find that they have avoided a $16,000,000 debt for a 35-year period, obtained a guaranty of power at rates 25 per cent less than they are paying now, and achieved—in the course of losing their petition—some very considerable gains. For its part, Vepco may be put to an expenditure of $1,862,000 for the construction of additional transmission lines, but it will have averted, for the time being, the threat of a wastefully competitive REA transmission grid crisscrossing its established territory.

"In all the cities it is the government that should do away with slums, it is the government that should build public housing, it is the government that should supply parking space, it is the government that should supply all the services for the sick with a national system of hospitalization and medical care. As our minds adjust to one of these things it puts us in shape to adjust ourselves to the next, and after that it is still another, which yesterday would have seemed impossible, yet which tomorrow will be done—and it is the day after tomorrow that we should keep in mind, because that is when statism—having progressed through Socialism—breaks down."

—Martin W. Clement,
President, Pennsylvania Railroad.

Legislative Outlook in the 44 States

This is the year of the "big biennial" when 44 out of the 48 states have regular legislative sessions. There will also be special sessions during the year 1951. Here is an analysis based upon preliminary news items which seeks to evaluate trends in state legislation likely to be passed, or not passed, with special reference to public utility interest.

By ARNOLD HAINES*

As of February 5, 1951, 43 out of the 44 state legislatures, scheduled to meet in regular session during this year, had swung into action. Some started a little late. Several took nearly a fortnight to listen to gubernatorial messages, appoint committees, and get generally organized to do business. Few had actually progressed to the point of passing major legislation, and only one of the bills so passed directly affected public utilities (an Idaho law, to be described later).

Notwithstanding such a slow start, enough has been learned on the basis of bills introduced, and the known political and economic climate of the various legislatures, to forecast some general trends in new state public utility laws to be passed in 1951. The first general observation along this line is a mildly negative one.

There won't be very much new utility law passed this year — compared, that is, with some of the heavier biennial years of utility legislation, such as those experienced just before World War II. Whether it is because the state solons are too much preoccupied with war threats, taxes, or other pressing matters, or whether present utility laws on the whole seem to be working fairly well, the outlook is for a light crop. So much for general observation number one.

Looking over the advance sprouts —for this crop, such as it is—we find the state bills falling into the following categories—in the order of their volume of introduction: (1) regulatory; (2) public ownership, including "co-

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op" legislation; (3) special taxation; and (4) labor legislation. This, in itself, is a bit of a change from former years when public ownership legislation ran pretty heavy and far ahead of regulatory legislation; and so did legislation to block or curb utility strikes.

As to the former — public ownership—it seems mostly confined to the West and somewhat *restrictive*—another directional change from former years. As to the utility labor bills, we may conclude that the heavy wave of antistrike bills which boiled up during the past four years—leaving laws on the statute books of 13 states — has largely spent its force. Three or four more states may pass such laws in 1951, but hardly more than that. So much for general observation number two. Now, for particulars:

Regulatory Bills

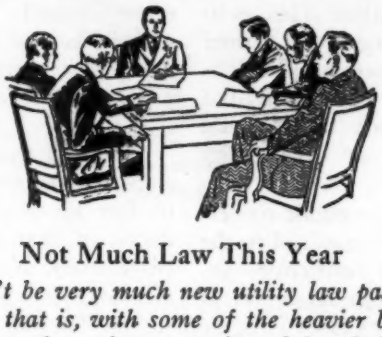
Most of the regulatory bills introduced deal with procedural matters. Let us first consider the bills dealing with the organization of the state commissions. So-called "people's counsel" bills appeared in three states —Wisconsin, California, and New Jersey.

The Wisconsin bill would have the ratepayers represented before the state commission by a special counsel, to get $10,000 a year. A similar bill was defeated in 1949. It will probably suffer the same fate this year. The California bill on the subject would have the state attorney general represent the public before the state public utilities commission. The outlook for this measure is rather doubtful. The New Jersey bill stand a pretty fair chance because it was recommended by Governor Driscoll. The New Jersey bill would likewise have the state attorney general represent the public in rate proceedings before the state commission.

Two bills to increase the membership of state commissioners from three to five appeared. They were introduced in Maryland and Wisconsin, respectively. Neither one of these bills seemed to have much steam behind it, as far as prospect for final passage was concerned. A bill to reorganize and change the name of the Washington commission passed the state senate.

An Indiana bill would abolish the present public service commission appointed by the governor and set up a new board subject to state senate confirmation. The bill is the aftermath of considerable fussing and feuding which has been going on within the Indiana commission, involving key staff officials. Although the bill has strong bipartisan support, the outlook is complicated by the probable veto of Governor Schricker. The California assembly has passed a bill providing for the election, instead of appointment, of members of the California Public Utilities Commission, but it faces a veto from Governor Warren even if it should pass the senate. A similar bill introduced in the New York legislature has little chance of enactment over the sure veto of Governor Dewey.

Turning now to procedural matters, a bill in the Tennessee legislature, with a good chance for passage, is one which would extend the powers of the railroad and public utilities



Not Much Law This Year

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commission to all public utilities in that state. Primary aim is to restore control of city transit service to the state board. The bill has the backing of the AFL and the CIO. In neighboring Missouri, there is a bill in the lower house moving in exactly the opposite direction. It would take the regulation of busses and streetcars away from the state commission and give it to the cities. The outlook is unfavorable on this.

An odd bill in New Jersey would require power lines to be placed underground. It is a minority bill and will probably go underground itself. Along the same lines are several bills in the Connecticut legislature, affecting the location of gas pipelines from the standpoint of local property rights.

A bill in the Ohio legislature to authorize the establishment—as a public utility—of a belt line conveyor faces heavy opposition from strong railroad interests. The plan is to provide a new form of common carrier for coal and ores between the Great Lakes and the Ohio river. A similar bill failed in the last Ohio legislature.

A bill to extend the Colorado commission's jurisdiction to all utilities, abolishing the confusing "home rule" setup, which now complicates Colorado regulation, has a fair chance, if bipartisan support can be developed. It would have to take the form of a state constitutional amendment, however.

Two "rate base" bills popped up in Ohio and Washington. The Ohio bill would rewrite the present law requiring consideration of rate production cost. Similar measures have generally died in previous Ohio sessions and this year's bill seems no exception. The Washington bill would give the state commission authority to use "alternative" measures in establishing reasonable rates for transportation of persons and property by carriers. It

has bipartisan support, but it seems too selective to get the final approval of the legislature.

An Indiana bill would require public utilities to publish proposed rate changes in newspapers in cities affected. It passed the lower house with a single dissenting vote. Senate approval is expected.

An Oregon bill would have the public utility commission set emergency rates without hearings. It will probably pass. A Michigan bill, moving in the other direction, would forbid the commission to increase rates without hearings. Although recommended by the governor, it has some high hurdles ahead.

A minority bill in the New York legislature reflects some adverse reaction to the recent telephone rate increase on public pay station calls in New York city from 5 cents to 10 cents. The bill would have the legislature set up a committee to study the matter. The legislature is not likely to agree.

Rather an odd bill in the Nebraska unicameral legislature would require the state commission to issue certificates to extend telephone lines into territory already served by another company. This is a throwback to regulation by competition. Outlook—doubtful.

Governor Dever of Massachusetts is making another try for his proposal to have the legislature investigate public utility rates. It was tossed out last year and it will probably suffer the same fate in 1951.

Public Ownership Bills

IN Idaho the first law of special interest to public utilities to get final action in the year 1951 was recently signed by Governor Jordan. This law prohibits any "outside" agency from acquiring private utility properties within Idaho. It is aimed at the possibility of several public utility districts in Washington state acquiring Idaho utility properties through the purchase of controlling interest in private utility companies within Washington state. The bill requires the approval of the Idaho Public Utilities Commission for any such sale or acquisition of utility facilities in Idaho.

A SOMEWHAT similar bill, growing out of the same controversy, has been introduced in the Washington legislature where it faces some stiff opposition but may eventually pass and be given the approval of Governor Langlie. This Washington bill would prevent "outside" county public utility districts from acquiring utility properties now being operated by private companies within municipalities—unless such acquisition were approved by vote of the local electorate of such municipalities. The obvious object of this "home rule" bill is to keep the power utility facilities, now operated by a private company in Spokane, from being purchased by outside county public utility districts. Under Washington state's peculiar and extra liberal public power law, such districts could lawfully purchase and operate utility services within cities, regardless of how the local people felt about it.

"Further power development must go hand in hand with economic development," according to Governor Emerson in his inaugural message to the Vermont legislature. He recommended (1) development of feasible

power sites without doing injury to agriculture; (2) flood-control dams to store water for power purposes; (3) development of firm sources of power by tie-ins; (4) submission of data by utilities to the state public service commission of anticipated growth for the next decade, and plans to meet the growth; (5) authority to the state commission to determine and order where needed high-power transmission lines and system integration. Emerson also recommended that the state commission be authorized and instructed "to make a study of the possibility of procuring natural gas by pipeline into Vermont and make a report to the governor thereon as soon as it is possible to do so."

LOCAL control of North Carolina power developed in connection with flood prevention on all major streams within the state was recommended by Governor Scott in his message to the state legislature. Power thus generated, he said, should be distributed not by the government, but by private utilities, municipalities, and REA coöperatives. Discussing public utilities in his address, the governor called for continuance of progress in the power and telephone fields.

In the Wisconsin legislature, a minority bill proposes a state constitutional amendment to give the Wisconsin legislature broad authority to appropriate funds for the creation of water-power districts. This bill, sponsored by a Democratic senator from Milwaukee, would empower the state to build facilities to produce hydroelectric power and develop water-power resources. The outlook is unfavorable.

A bill in the Kansas legislature would restore to the property tax rolls municipally owned property not used exclusively for governmental functions. The sponsor of the bill is a state representative from Emporia who said he felt that municipally owned utilities should pay taxes the same as private enterprise. Municipal plant forces in the Kansas legislature seem too strong to allow passage of this one.

Two bills to extend the area of municipal ownership appeared in the Nebraska legislature. One would authorize first-class cities to furnish gas at retail beyond corporate limits. Inasmuch as Omaha already owns the largest municipal gas plant in the country, this "enabling" bill probably has a good chance at passage. Less likely to pass is the other bill, providing for the public ownership of telephone systems in Nebraska. A bill in the Washington legislature would permit public utility districts to go into the telephone business and to condemn properties of existing telephone companies.

BRACKETING co-op legislation with public ownership, we note a small number of bills to increase the activities of co-ops in the utility business. This follows the trend of recent years. An Indiana bill would permit the formation of rural telephone coöperatives on the same basis as REA co-ops in the rural electric field. It will probably pass. But another bill in the Indiana legislature would place rural telephone co-ops under commission regulation to the extent of eliminating territorial competition with rural telephone companies. The outlook for this is in doubt. A bill introduced in the

Arkansas house would permit the establishment of rural telephone coöperatives. A bill introduced in the Oregon senate would place telephone coöperatives under the jurisdiction of the state public utilities commission.

The California senate has passed a bill that would remove REA co-ops generally from the jurisdiction of the California Public Utilities Commission. A Washington state bill would make first-class cities operating utilities deal with employees and unions on the same basis as privately owned utilities.

Although it cannot be clearly classified under public ownership, one of the oddest bills of the 1951 crop is a measure in the North Dakota senate to authorize state financial aid for private telephone companies. This bill would empower the Bank of North Dakota to make loans to help finance the improvement, expansion, and construction of telephone companies. Such loans would be for twenty years at 3 per cent interest not exceeding $25,000. They would not be made to systems exceeding 850 subscribers.

Special Taxation

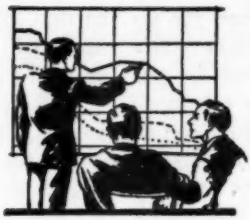
SOMETHING new has been added to the state bills affecting special taxation of public utilities. It is the appearance of legislation to tax natural gas production at the state level. Such bills may well have their origin in action taken by President Truman last spring, vetoing the Kerr Bill, passed by the 81st Congress. That Federal measure would remove natural gas production and gathering from the jurisdiction of the Federal Power Commission. Upon the failure of that bill, sentiment has been building up in southwestern states to tax natural gas exportation.

Bills have been introduced in Arkansas, Texas, and Oklahoma. In Texas there are several bills along this line taxing either production or increasing the present state severance tax on natural gas. In Oklahoma the lower house was considering a proposed severance tax. In Arkansas, members of both branches of the legislature were talking about imposing such a heavy tax on gas moving through the state that gas-consuming industries would find it more profitable to move their plants to Arkansas.

Labor Bills

SEVERAL bills to repeal state labor law affecting public utilities come from labor forces in those states where so-called antistrike laws have already been enacted. These commonly go hand in hand with resolutions memorializing Congress to repeal the Taft-Hartley Act. In most cases the outlook for their enactment is just about as promising as the outlook in Congress to repeal Taft-Hartley. Such repeal bills have appeared in New Jersey, Missouri, Indiana, Wisconsin, and will probably crop up elsewhere.

Looking in the other direction, not more than one or two states are likely to be added this year to the list of those which have special public utility antistrike laws. The Georgia legislature already has killed a bill to that effect. The Ohio legislature is considering a bill to set up a detailed conciliation and arbitration procedure for the settlement of all utility labor disputes.



Fifteen Years of the Holding Company Act

Here is a review of the story of the Holding Company Act from the day of its stormy passage in 1935 to the present critical era of national defense. The author has lived with the administration of this controlling statute and has seen it develop.

By NATHAN D. LOBELL*

When the Public Utility Holding Company Act was passed in 1935, Mussolini was a benevolent Caesar, making the trains run on time; Hitler's intentions frightened only a small fringe of visionaries; Stalinists were quoting chapter and verse to prove that Communism could do business with the West, and vice versa.

Here at home the attack on the undulant fever of business cycles was in full swing. We were reviving some old shibboleths ("the forgotten man"), creating some foredoomed crossbreeds (NRA), and some common sense answers—one of which was the Holding Company Act.

That act was one of the most bitterly fought pieces of legislation ever passed. A lot of the fighting was blind—deliberately so. Some of it was understandable. To many businessmen, fighting back seemed to be the only way of fighting for the life of private enterprise at a time when government was pressing on every side.

History was too close for perspective then. Some did not want to, and some could not, see the Holding Company Act for what it was—an attempt to strengthen the system of private management by putting the holding company segment of the industry into rational shape, with sound and balanced security structures, with sensible patterns of operating control, responsive to local needs and amenable to local regulation.

In that time of high feelings it was easier to condemn than to analyze. The cry of "death sentence" greeted

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the provisions of § 11 of the act which required economic integration and corporate simplification of electric and gas holding company systems. But the facts played a bigger part than politics in getting the act passed. And the facts could not be exorcised with lurid incantations. While the depression was a blow to all parts of the economy, many holding company practices had made utility system investments unnecessarily vulnerable. Thousands who thought they were holding sound securities found themselves with tickets to a bankruptcy or receivership; thousands who thought they were holding *pre*ferred stocks waited in vain for dividends and discovered that they were holding *de*ferred stocks. Diversification of risk, aid to controlled companies in financing, high-powered, centralized management and services —these arguments for the holding company looked good on paper. To the cynical market they meant little more than discounts on underlying values.

The influence of the holding company was pervasive. By 1932 holding companies controlled the bulk of the electric and gas utilities of the country. The eight largest holding companies, alone, controlled about three-fourths of the private power generation, and about two-thirds of the facilities for gas manufacturing were controlled by holding companies.

A MONUMENTAL study of holding company practices, conducted by the late Securities and Exchange Commissioner Robert E. Healy (then counsel for the Federal Trade Commission), had laid bare the real stories of some of these empires. Banker control of vast and unrelated properties bought with other people's money; operating and financial policies dominated by controlling cliques for emoluments of management and control (even to the extent of making upstream loans in order to use the proceeds in the call-money markets); fantastically complicated and overburdened security structures created for leverage; manipulations of accounts to create paper profits in order to support these structures; excessive charges by controlling groups for so-called "services"—these are the tales that sound like bogey stories but were sad truths only a few years back.

History has given perspective to some of the enemies of the act and experience has done the same to those of its friends who needed perspective. There was much more to the holding company system than these skeletons in the closet. Within the splashes of color that marked the map of holding company control in 1935 were many integrated properties, sound aggregates of generating, transmission, and distribution facilities that made operational and financial sense. Power interchange through networks of privately owned facilities and the interchange of new ideas and methods that helped so much in our tooling up for the last war were a commonplace occurrence in many operating properties jointly controlled by holding companies.

SOME of the builders of holding company systems were men of vision and imagination experimenting in giant enterprise, who recognized that giant power and giant finance go hand in hand. The problem was not to lay waste to what they had built, but to

screen and preserve the positive contributions and values. That philosophy underlies the Holding Company Act, and for fifteen years it has dominated administration of the act by the Securities and Exchange Commission. The act presupposes private management and tries to strengthen the system of private ownership. It presupposes the complying holding company, and tries to assure that surviving holding company systems will be sensible aggregates of operating properties, financed by sound and balanced security structures, obeying decent standards of accounting, disclosure, and stockholder relations.

THE act is in general limited to electric and gas holding company systems. In addition to the reorganization provisions of § 11 it provides for the registration of holding companies; supervision of security transactions of holding companies and their subsidiaries; and of acquisitions of securities and utility assets by holding companies and their subsidiaries. It gives the SEC regulatory authority over dividends, proxy solicitations, intercompany loans, and other intrasystem transactions; over service, sales, and construction contracts; and over accounting practices.

These sections prescribe the health course which the parent and subsidiary companies must take as long as they remain subject to the act. They have been administered both independently of § 11 and as an integral part of the major reconstitution called for by § 11. Much of the work done under these sections, therefore, has been preparatory—a grooming of the systems for the day when they are finally reorganized according to the statutory objective and when the unretainable operating properties are released from holding company control and (consequently) from the jurisdiction of the act.

Section 11(b)(1) directs the SEC to confine each holding company system, with limited exceptions, to a single set of integrated utility properties. An integrated utility system, as defined in the act, is a compact, related set of operations. Additional integrated properties can be retained only if substantial economies would be lost by severing them from the system and only if they cluster about the main operations in a single area and form an operating aggregate not too big for local management, efficient operation, and effective regulation. Nonutility businesses can be retained only if they are reasonably incidental or economically necessary or appropriate to the operations of the utility business.

THE large holding company systems could not conceivably com-

¶ "UNDOING *the holding company scramble has involved not only rationalizing the patterns of geographical control, but has meant simplifying security structures and system company networks. The complexity of holding company systems was a result of the race for control at fancy prices and with a maximum of speculative leverage.*"

ply with these provisions without drastic reductions in their geographical patterns of control. For example, Electric Bond and Share Company, in addition to its vast foreign holdings, controlled domestic properties at the four corners of the country and in the middle-south area. Middle West Corporation's properties zigzagged down a broad belt of the central regions. Engineers Public Service Company had satrapies in the East, West, North, and South. While Commonwealth & Southern Corporation was largely concentrated in a solid block in the Southeast, its properties were spotted over 11 states. Hopson's Associated empire operated in 17 states, and Cities Service Company went him one better in its 18-state coverage.

These nation-wide patchworks are now a thing of the past. Of the random illustrations used, the Engineers Public Service Company system has vanished. Out of the Bond and Share system have emerged some independent properties and some (such as the tristate operations of Middle South Company) still under holding company control. The Southern Company has emerged from the old Commonwealth & Southern system. Middle West is gone, but the Central and Southwest group of properties of the former Middle West empire is a surviving holding company system. Cities Service is well-nigh out of the electric utility business altogether.

UNDOING the holding company scramble has involved not only rationalizing the patterns of geographical control, but has meant simplifying security structures and system company networks. The complexity of holding company systems was a result of the race for control at fancy prices and with a maximum of speculative leverage. Sometimes it seemed to have been also a deliberate attempt to make it impossible to trace and define investors' rights. In either event, these system complexities were available tools of manipulation and were the means of inequitably concentrating control.

SECTION 11(b)(2) requires that the Securities and Exchange Commission direct holding company systems to take steps to assure that neither the corporate structure nor the "continued existence" of any company in a holding company system would unduly or unnecessarily complicate the security structure or unfairly or inequitably distribute voting power among security holders.

The dual aims of § 11—reorganization of patterns of geographical control and streamlining of system structures—have been related in their administration. Cutting down the size of systems under § 11(b)(1) has helped to streamline system structures under § 11(b)(2). Portfolio securities of sound operating companies (whose structures had been revamped to put them in reasonable balance) have been the hard currency with which dissolving and reducing holding companies have paid off their own security holders. Cash arising from sales of unretainable portfolio securities has been used to improve capital structures by the elimination of top company senior securities and by the fattening of operating company equities through equity contributions from the top down.

The Usefulness of Competitive Bidding

"ADJUSTMENT by the industry and by the investment banking fraternity to the competitive bidding rule is, in itself, one of the most significant achievements in utility financing in the past decade. It has been helped considerably by the fundamental good sense of the competitive bidding rule and by the flexibility of its administration by the SEC."

THE process has worked in reverse. The job under § 11(b)(2) and related sections of strengthening and balancing the security structures of underlying companies has helped to develop these hard currencies in the portfolios of holding companies. Management's willingness to liquidate and collapse the sizes of holding companies has been stimulated by holding company investors whose appetite for direct ownership of these sound securities has been considerably and noticeably whetted.

A glance at a typical sample of electric operating companies released from holding company control will show why this was so. In the three years, 1946, 1947, and 1948, control of 26 electric operating companies was divested under the act by holding companies through the sale or distribution of their stocks to the public. Eight of these companies, at the year end 1940, had over 30 per cent common stock equity on the basis of adjusted capitalizations and surplus.[1] Capitalization and surplus have been adjusted to remove from common stock equity any amounts subsequently charged to earned and capital surplus accounts in the elimination of plant adjustment items. Eighteen had lower percentages.[2]

THE improvement in the common stock equity ratios of these 18

[1] Scranton Electric Company, Tucson Gas, Electric Light & Power Company, Colorado Central Power Company, El Paso Electric Company, Potomac Electric Power Company, Mountain States Power Company, Edison Sault Electric Company, Detroit Edison Company.

[2] Dayton Power & Light Company, Central Ohio Light & Power Company, South Carolina Electric & Gas Company, Columbus & Southern Ohio Electric Company, Tide Water Power Company, Atlantic City Electric Company, East Coast Electric Company, Pennsylvania Power & Light Company, Gulf States Utilities Company, Virginia Electric & Power Company, Michigan Gas & Electric Company, Northern Indiana Public Service Company, California Oregon Power Company, Northwestern Public Service Company, Carolina Power & Light Company, Central Illinois Public Service Company, Public Service Company of Indiana, Inc., Wisconsin Power & Light Company.

companies between December 31, 1940, and the close of the year of divestment is an objective measure of their progress in the health course of the Holding Company Act. It is a measure of the benefits that have been brought directly to investors in the form of balanced structures. In 1940 the average ratio of common stock and surplus to total adjusted capitalization for these companies was 17 per cent. The average for the companies at the ends of the years of divestment was 29 per cent—*an improvement of over 70 per cent.* The ratio of debt to total capitalization went down from 61 to 55 per cent; and the ratio of preferred to total capitalization went down from 22 per cent to 16 per cent.

Some of the individual cases have been dramatic. In two cases zero or deficit common stock and surplus accounts after adjustment have been raised to plus 20 per cent, and plus 56 per cent. In two cases there was over a 100 per cent improvement.[8]

COMPANIES controlling about $10 billion of assets have been released from the SEC's jurisdiction under the act through the reorganization procedures of § 11. From any perspective, this is a monumental job. The program has been vigorously administered and the measure of its success has been this declining area of SEC control. It is anticipated that completion of the program will leave the SEC with a $7 billion industry to administer under the act. Especially for those who tend to think of administrative agencies as power-hungry bureaucracies, it should be refreshing to witness the SEC, a government agency, working hard to do itself out of jurisdiction to the tune, in recent years, of well over $1 billion a year.

ONE of the prime arguments made to Congress against § 11 was that the dumping of securities and the forced liquidation of holding companies would demoralize the market for utility securities. That has not happened. But the reverse *has* happened. We have no comprehensive history of market values of all SEC regulated system securities. But a study was made in 1949 of "before" and "after" market values of the securities of three systems that had undergone reorganization. On August 26, 1935, the market value of the securities of the Commonwealth & Southern Corporation was $190,853,000. As of October 11, 1949, the net cash and market value of the securities received by investors pursuant to their holdings in Commonwealth & Southern was $414,664,000. That represented an increase of over 117 per cent. The corresponding increase (as of September 28, 1959) in the values received pursuant to holdings in the reorganization of Electric Power & Light Corporation was 439 per cent. For Engineers Public Service Corporation it was (as of October 1, 1949) 478 per cent.

During the period in which these dramatic improvements were taking place in SEC regulated companies, the Dow-Jones utilities index had gone up only 48.3 per cent.

The SEC has had its share, and more, of criticism and griping—both informed and uninformed. Its rule

[8] I am indebted to the special studies section of the SEC's division of public utilities for these figures.

requiring competitive bidding in sales of utility system securities was, on its adoption in 1940, a center of controversy. Yet competitive bidding is the most direct and rational response to the requirement of the act that regulated financing be conducted under competitive conditions. Under competitive bidding there have been substantial economies in the raising of capital. In the five years up to 1940 the average underwriting spread in negotiated deals for the distribution of utility bonds was $2.40 for every hundred dollars of bonds sold. In the five years up to June 30, 1949, 170 bond issues were sold under the commission's competitive bidding rule. In 155 issues the spread was $1 or less. In only 24 issues was it over $1. In 134 issues it was 75 cents or less.

THE narrowing of underwriters' spreads has been a general development in the investment business in recent years. The commission's competitive rule cannot, alone, be credited with these progressive economies in utility financing. But it is part of the over-all evolution of financing at reasonable cost and it assures that the financing will be done at a cost determined under strictly maintained competitive conditions.

Preëmption by a single banking house of the underwriting business of holding company systems was a standard practice before the act was passed. It was, in fact, one of the significant reasons for the development of holding company systems by bankers. There have been many arguments in justification of this form of monopoly. But the actual results under the competitive bidding rule demonstrate how unpersuasive these arguments can be. A study of companies that sold securities at competitive bidding four or more times within the 5-year period has shown that in only one case was the same syndicate manager able to organize groups to bid successfully for all of the issues of the same company.

ADJUSTMENT by the industry and by the investment banking fraternity to the competitive bidding rule is, in itself, one of the most significant achievements in utility financing in the past decade. It has been helped considerably by the fundamental good sense of the competitive bidding rule and by the flexibility of its administration by the SEC.

The industry has prospered, in its growth, in its financial soundness, in its rationalized patterns of control, in its relation with investors, consumers, and the public. In November, 1949, the chairman of the SEC was able to point out the following improvements of a decade in the industry: Over $1.3 billion of wind and water had been eliminated from plant accounts; the ratio of depreciation reserves to gross property had increased 150 per cent; interest coverage had increased from 2.9 times to 4.3 times and coverage of all fixed charges and preferred dividends was up from 1.9 to 2.7 times. Averages on preferred stock had been virtually eliminated. While total debt and preferred stock had increased by less than 4 per cent, generating capacity had been increased by 50 per cent and generation was up 150 per cent.

NO one can claim all the credit for these improvements and the full

story cannot be told in statistical comparisons. Every dollar of discount that has been eliminated in the process of getting holding company investors close to the rails is a dollar of benefit to these investors. But there is no direct dollar measurement of the health and growth potential resulting from balanced capital structures or of the benefits to consumers and investors of independent management; or of the vast improvements that have taken place in accounting and disclosure practices; or in the growth of opportunity for individual participation by stockholders through the proxy machinery; or of the protections of senior security holders' rights that the SEC has required—or of the countless other developments in utility finance and security holder relations resulting from administration of the act.

The real benefits are mortared into a sound base for the continued growth and service of privately managed utility systems—in peace and in war.

"If a politician tries to buy people's votes with private money, he's a dirty crook. But if he tries to buy them with the people's own money, he's a great liberal. . . .

"This strange contradiction never has been more apparent than in recent years. Yet it isn't new. It's one of the oldest laws of politics. It is the greatest problem and weakness of self-government. . . .

"This always happens in exactly the same way—by squandering money for the supposed benefit of the people. The politicians don't spend their own money, but the money of the people—yet the politicians take credit for making gifts. And always they have been able to win votes from people who thought the politicians were giving them something free. . . .

"That's what is taking place in Great Britain today. It is what surely will happen in the United States unless enough voters quickly awaken to the danger.

"Athens did it—and ceased to be a democracy, and also soon ceased to be a free state. Rome did it—and first ceased to be a republic and then just ceased to be—period. . . .

"These things happen over and over because people whose votes can be bought by political promises don't realize that the schemes aren't new—that they all have been tried and all have failed time after time. And those who do know better are not alert, or are too lazy to get out and combat the politicians, or don't take the trouble to vote. . . .

". . . The old passion for public benefits again has been fanned into a roaring flame. We are using up our savings and getting deeper and deeper into national debt.

"It is the old, old slide into financial disaster which always has ended in loss of liberty and eventual destruction."

—E. T. LEECH,
Editor, The Pittsburgh Press.

Washington and the Utilities

The St. Lawrence Push

SUPPORTERS of the St. Lawrence seaway-power project proposal seem to feel that it may be a case of "now or never" in pushing their program through Congress. Certainly President Truman did the best he could to give the measure his personal assistance when he invited the members of the House Public Works Committee to a special White House meeting on February 7th. The purpose of the meeting was to convince committee members that they ought to get busy on legislation to authorize the St. Lawrence program and to answer questions and generally talk things over. Such extraordinary sessions generally last a half-hour. But the February 7th confab went a full hour, after which President Truman motored over to the Interior Department to be a luncheon guest of Secretary of Interior Chapman.

There was enough big brass at the White House meeting to convince the committee members that the Federal administration is fully behind the St. Lawrence seaway. There were Defense Mobilization Director Wilson, Secretary of Commerce Sawyer, Secretary of Interior Chapman, and Major General Louis A. Pick, Chief of the Army Engineers.

Chairman Buckley (Democrat, New York) of the committee told reporters after the meeting that Mr. Truman had made a "strong appeal" for action. He quoted the President as saying that the seaway is needed for shipment of iron ore from deposits in Labrador.

Mr. Truman also emphasized the need for power which would be developed from the International Rapids section of the St. Lawrence river, Buckley said.

Representative Dondero (Republican, Michigan), ranking minority member of the committee, said the conference produced much questioning by members of the committee. Dondero long has favored the project.

BUCKLEY'S committee was slated to begin a hearing on the seaway and power legislation on February 20th. Buckley said at least ten days would be devoted to the hearing and "more if necessary." He said Secretary of Defense Marshall and Secretary of State Acheson are among those tentatively scheduled to testify in support of the bill.

One complication, among others, which may keep the authorization legislation from going through Congress in a big hurry, was the difference of opinion on how the project should be handled, admitting that both the seaway and power production phases are necessary and desirable. The state of New York is still contending that it stands ready to build the power facilities and produce the power without interfering with the seaway features and without a cent of expense to the Federal government. But both President Truman and the Federal Power Commission have opposed that idea. They think it is a Federal responsibility.

As a sop to the New York state crowd, nearly all of the numerous St. Lawrence bills now before Congress contain provisions for the Federal government turning the power facilities over to New York state after they are built, and provided "satisfactory contracts" can be worked out covering the terms of operation, sale, distribution, and power, etc. Realistic observers see this as just so much window dressing. Interior Department's past record for reaching voluntary agree-

ments on power distribution with private utility companies has not been reassuring. They just cannot see the present Secretary of Interior, for example, ever arriving at a "satisfactory agreement" for turning over St. Lawrence power facilities to Governor Dewey's state administration. Of course, by the time the St. Lawrence is built and operating, if it ever is, Chapman and Dewey probably will not be in their present posts.

But it is axiomatic in Washington that Federal bureaucrats do not voluntarily let go of any powers of this sort once they have them in their grasp, without, figuratively, being pounded on the hands with a sledge hammer. New York Congressmen know this as well as everyone else.

Representative Buckley came up with a fairly new idea, however, and while it may take a little time it could possibly quiet the opposition to Federal domination of St. Lawrence power facilities on the part of New York state. Buckley told reporters that if an authority, similar to the Port of New York Authority, were established to construct the seaway and the power project, it could issue revenue bonds and the government would not "have to put up a dime."

Summing up, the prospect for House authorization (aside from any idea of appropriation) seems to be improved to better than an even chance.

The Senate will move more slowly. The Senate Foreign Relations Committee, which now has before it SJ Res 27, also providing for transfer of hydroelectric facilities to New York state, has not scheduled hearings, and may not do so for some time to come. Chairman Connally (Democrat, Texas), who has previously opposed the project, recently stated he would not block the legislation, but, by the same token, he has not said he would do anything to expedite it. So far, a third of the Senate, fourteen Democrats and twelve Republicans, are sponsors of SJ Res 27.

Just how many more Senate votes for the St. Lawrence may emerge from the remaining two-thirds of the membership is a mystery. But it is a safe bet there is plenty of talk left on the subject in the upper chamber before the smoke clears away.

Interior Unveils Long-range River Plan

One of the things which Secretary Chapman undoubtedly talked about with President Truman on their luncheon date following the St. Lawrence meeting on February 7th was the Upper Colorado river basin plan. It was on the last day of January that Interior made public a $1,139,000,000 blueprint for development of water and power resources in the five upper basin states—Wyoming, Utah, Colorado, New Mexico, and Nevada.

The Colorado river system drains or is contiguous to seven states, all of which agreed to a compact worked out in 1922 dividing the water between the upper and lower basin in Lees Ferry, on the Arizona-Utah border. Under that pact, the lower basin states were apportioned 75,000,000 acre-feet over a 10-year period. The upper basin states agreed in 1948 on a division of their share of the water.

The lower basin states have made no such apportionment and California is vigorously opposing Arizona's claim to water for the Central Arizona project.

Included in the upper basin project are ten major dams and reservoirs with a capacity of 48,500,000 acre-feet for water storage and for generation of 1,622,000 kilowatts of power. Participating irrigation projects would benefit more than 2,000,000 acres of irrigable land.

Interior Secretary Chapman said, by way of comparison:

> The 48,500,000 acre-feet of storage space provided for in the plan compares with present available storage of less than 2,000,000 acre-feet. The hydroelectric capacity of 1,622,000 kilowatts compared with less than 125,000 kilowatts of existing capacity in the upper basin, including internal combustion and steam plants as well as hydroelectric plants.

He said virtually all costs of the project would be paid from the sale of electricity. Net revenue is figured to repay all reimbursable costs in fifty years after completion.

Announcement of the program was received with mixed reaction in Congress. Admittedly, it is a long-range proposition and neither authorization nor substantial appropriations towards its accomplishment are expected during the present defense emergency. But the Interior Department evidently is keen to have its ultimate plans blocked out, just by way of a reminder to Congress.

The biggest stumbling block will be over the question of home rule. There is, for example, Senator Watkins (Republican, Utah), who holds the view that reclamation projects should be built by the Federal government, but managed and operated by the states, with title reverting to the states after reimbursement of Federal construction costs. He intends to offer an amendment to accomplish these results when Interior's authorization measure is introduced. It will not be acceptable to the Interior and Insular Affairs Committee, headed by Senator O'Mahoney (Democrat, Wyoming), but it will stir up the waters.

Actually, neither side to this controversy seriously expects that authorization during the present session of Congress will be forthcoming. But submission of Interior's ambitious program at this time was intended to stake out the department's "preserves" in future Upper Colorado development. For that reason, Interior's critics are equally anxious to air their views before congressional intent jells too firmly.

Co-ops Getting Cautious?

PROBABLY the most restrained convention of the National Rural Electric Coöperative Association in its history met in a 4-day convention at the Public Music Hall in Cleveland late in January. Obviously, the co-ops are on the defensive.

First, they don't like the idea of congressional investigation of REA policies and coöperative loans and practices which are conducted too quietly. They would like a large-scale "open investigation." Again they don't like the idea of court litigation challenging the validity of such REA co-op practices.

There were some pretty close votes on REA matters in the 81st Congress and the co-ops saw no reason to hope for more tender treatment from the 82nd Congress. There was also a certain amount of resentment against a recent REA policy statement calling for the payment of prevailing wage scales on construction projects. Finally, the REA co-ops evidently anticipate that Congress is going to cut REA funds for loans during fiscal 1952, hence a comparatively modest request for $125,000,000 for electric loans and $75,000,000 for rural telephone loans. This is much more than the President's budget calling for $109,000,000, but much less than REA has been accustomed to in the last three years. Actually, REA probably would be glad to settle for something less than $100,000,000 in this day of curtailment on nondefense expenditures. Even if it got that much to spend, the natural question arises whether co-ops could find enough man power and materials to go on with expansion activities under present emergency conditions.

Of course, there was the usual call to rally around the REA by way of "effective political action," but the old spirit of confidence seemed somehow missing. There was an apprehensive note in the address of the NRECA's executive manager, Clyde T. Ellis. He told the co-op delegates that court suits brought by power companies to test the right of the Rural Electrification Administration to grant loans to coöperatives for electricity generation and transmission, together with one-vote victories for that right in the last two Congresses, "present the most dangerous threat to the rural electrification program in the fifteen years of its existence." He added, "The right of rural electric systems to generate their own power constitutes their ability to exist."

Exchange Calls And Gossip

FCC under Pressure

WHEN the Federal Communications Commission took off on what looked like a "milk run" sortie to reduce alleged excessive profits in the American Telephone and Telegraph Company long-distance line operations, it appeared that the crew would be home in time for dinner. Now comes word that the FCC (Walker and Hennock dissenting) has voted to postpone the showdown four months—hearings to start in August.

At the last writing it appeared that the National Association of Railroad and Utilities Commissioners would make a strong appeal to the FCC at the April 16th hearings (when AT&T was to show cause as to why FCC-recommended rate reductions should not be put into effect) for some consideration to be given its side of the argument. It, in effect, pointed to the already existing disparity between interstate rates and intrastate rates, with constant pressure on the state commissions to grant still additional intrastate rate increases.

Within the last fortnight the NARUC found itself with new and impressive support for its cause. On January 30th, Senator Ernest W. McFarland, Majority Leader of the United States Senate, chairman of the Communications Subcommittee of the Senate Interstate and Foreign Commerce Committee and long an advocate of FCC reorganization, wrote to Acting FCC Chairman Walker strongly urging that the FCC consider the disparity problem and the rectifying suggestions of the NARUC, before proceeding with any long-distance rate reductions.

A general increasing awareness of the disparity problem seems evident. In addressing the commission, Senator McFarland noted that he discussed the matter with FCC Chairman Coy "at the request of a number of Senators." The detailed letter to the commission followed, inasmuch as Coy was about to leave on vacation at the time of McFarland's talk with him.

In his letter, McFarland noted that any reduction in long-distance rates would shift the burden "from the big user to the little user; from the large national corporations which are heavy users of long distance to the average housewife and business or professional man who do not indulge in a great deal of long distance but are the lifeblood of the telephone business in this country."

HE added that during the NARUC convention last fall he heard about NARUC's new separation formula proposal (which would transfer intrastate assets to the interstate rate base) and specific examples of increased pressure on state commissions for justifiable rate increases. The Senator then listed various cases of existing disparities between interstate and intrastate calls and made the following observation:

> . . . one thing is clear to all of us—there would be no long-distance toll business without the local plant and the local telephone instrument in each home and business. It seems to me that this obvious fact has been overlooked in arriving at a fair and equitable formula.

McFarland then took issue with the FCC proposal to allow the NARUC to

present its new separation formula at the hearings:

> I had hoped that the proposal of NARUC for a tryout of its new separation formula would get a green light from the commission. Now, I understand, the commission is going ahead with a hearing scheduled to begin in April for a further reduction in long-distance toll rates and that the commission's position is that the state utility commissions' proposed separation formula should be formally presented at that hearing. Frankly, I do not think that is going to be very helpful to the state commissions or to the great mass of small telephone users who are continuing to bear the burden of higher telephone costs, which promise to mount even higher as your agency decreases long-distance toll rates. . . . I am not in a position to pass upon the question as to whether the remedy suggested by NARUC is the proper one but I am certain that something should be done—and at once. . . .

McFarland closed his letter with a paragraph that suggests strong congressional intent to coöperate in rectifying the situation or perhaps to take independent action should FCC decline to entertain the problem:

> I am sure you and your colleagues will agree with me that this shifting of the lead from the big fellow to the small user is neither correct nor equitable. If legislation is necessary for the commission to correct this injustice, please make your recommendations at once so that we may introduce the bill and get started on righting this wrong.

COULD this be notice-serving by a strong voice in Congress that FCC is not to duck the question? And, if this is so, would not any such future congressional action tend to revise the entire regulatory concept with respect to the telephone industry?

With no definite proposal yet made, it is difficult to assay the impact of any such legislation on the regulatory system. Yet it is conceivable that such a proposal might either (1) expand the jurisdiction of the FCC into what is now generally considered to be state commission territory or (2) limit FCC's exclusive voice in interstate matters through interested state commission participation in these interstate rate questions. Whatever may be the outcome, it would appear that far-reaching questions concerning the Federal *versus* state regulatory picture are involved.

While currently faced with the task of drafting a letter in answer to Senator McFarland, the FCC may also have to consider presentations which may soon be made by the telephone companies to hold off on any precipitative action. Telephone men are said to feel that there are a number of cogent reasons for the FCC to stop, look, and listen before going ahead with a meat ax rate slash. There is, for instance, the disparity and separation formula question now being discussed between NARUC representatives and Bell system officials. Any early FCC action on the long-distance rates by the FCC would apparently nullify, or at least complicate, the future progress of the discussions.

Progress of McFarland Bill

ON February 5th in the United States Senate, Senator McFarland sought unanimous consent to proceed with the consideration of his bill, S 658, which would reorganize the FCC along functional lines. The motion was granted and with the exception of four small amendments presented by Senator Case (Republican, South Dakota) (all acceptable to McFarland), the bill received Senate approval with little or no debate. The amendments added provided for the following: (1) barred from practice before the commission for one year after cessation of employment, chiefs of each integrated division and their assistants; (2) entitled each commissioner to present his own or minority views, or supplementary reports; (3) allowed each commissioner to fix within maximum of

$10,000 the salary of his legal assistant; and (4) permitted certain broadcasting during the national emergency without the filing of formal application.

The question now is: Will the bill get the same delaying treatment at the hands of the House Interstate and Foreign Commerce Committee that it did during the 81st Congress? It appears not and for these reasons: As previously observed in these columns, the bill is no longer just the McFarland Bill, as it was in the last session, but is now also a bill sponsored by the Majority Leader of the Senate (McFarland); Senate sources have pointed out that the bill has almost a year "head start" over the similar bill last season.

REA Telephone Loan Progress

THE Rural Electrification Administration has been charged with the administration of the rural telephone loan program since October, 1949. Actually, any report of progress should be considered from, at least, the date of the first loan allocation in February, 1950. During the intervening months the agency was concerning itself with the problems of organizing such an administration, staffing it, and handling the large influx of loan applications. REA officials from Administrator Wickard on down were among the first to realize that the telephone business had problems peculiar to itself and that their experience, drawn from years with the electrification loan program, would have only limited application to the problem of setting up the telephone program.

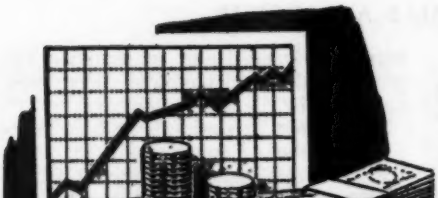
The telephone loan machinery was just beginning to function, when the complications of the international situation and the defense mobilization raised the question of just how far the program could go under the controlled defense economy. Some 60-odd loan allocations have been made at this writing but this represents only a setting aside of funds pending the agreement of REA and the borrower as to contract terms. Once the contract is approved by the parties, funds may be advanced and construction begun. To date, thirteen loans have been approved by the Administrator.

They are: Fredericksburg & Wilderness Telephone Company, $55,000; New Lisbon Telephone Company, $45,000; Navasota Telephone Company, $25,000; Florala Telephone Company, $243,000; Piedmont Telephone Company, $164,000; Pattersonville Telephone Company, $95,000; East Ascension Telephone Company, $275,000; Eastern New Mexico Rural Telephone Co-op, $581,000; Danielsville & Comer Telephone Company, $249,000; Yorkville Mutual Telephone Company, Yorkville, Tennessee, $124,000; LaFourche Telephone Company, $450,000; Yadkin Valley Telephone Membership Corporation, $518,000; and Pine Island Telephone Company, $103,000.

AT the recent National Rural Electric Coöperative Association convention in Cleveland, REA came in for mild criticism of its telephone loan program. By way of resolution, the NRECA called attention to the fact that since progress in providing an extension of rural telephone service is falling short of the objectives of the rural telephone loan program, all possible assistance should be given to the REA Administrator in the forming of and carrying out of rural telephone policies and objectives. REA officials currently are reported to be taking a close look at the program in an effort to correct the situation.

Communication Controls

THE February 20th meeting of the NPA Communications Industry Advisory Committee with Brigadier General Calvert H. Arnold, USA (Ret.), head of the NPA Communications Equipment Division, was the first official get-together of the communications industry with defense control officials. The 14-member committee is made up of officials from seven independent companies, six Bell companies, and a Western Union delegate.



Financial News and Comment

By OWEN ELY

A New "Annual Statistical Report" for Utility Analysts

UTILITIES affiliated with the Edison Electric Institute have now been asked by the EEI, insurance companies, and security analysts to prepare a revised combination EEI and insurance questionnaire report form "for the purpose of providing general and statistical information" concerning individual utilities and systems. It is a combined model of the forms formerly provided for the EEI, insurance companies, and other large institutional investors, but is now being made available to utility analysts, who find that the annual reports to stockholders do not always provide enough detailed statistical information. (While some of it is available in the annual statistical report of the Federal Power Commission, this is not published until August.)

The new form was developed by members of the Edison Electric Institute's statistical committee, which set up a special committee composed of Douglas Tonge (American Gas & Electric Company system), Walter Huebner (Ebasco Services Incorporated) and George Payne (statistician of the institute). These men worked in close coöperation with members of the standards committee of the New York Society of Security Analysts under Charles Tatham, Jr., as chairman last year. Mr. Tatham also acted as liaison with all the major insurance companies in obtaining their coöperation in the revision of their form. Prior to the final drafting of the form the members of the society were asked to submit their suggestions, and practically all of their recommendations have been incorporated in the new form. Other members who collaborated in the enterprise were: John F. Childs, assistant vice president, Irving Trust Company; Otto Zwanzig, director of the bureau of statistics of the American Gas Association; and the Lincoln Engraving & Printing Corporation. The latter concern bore the entire and substantial expense of the make-up of the form, copies of which can be obtained from this concern at 30 Cedar street, New York 6, at $25 per one hundred sets.

THE utilities feel that use of this report will eliminate a great many individual inquiries and thus prove a labor-saving device for their executive staffs.

DEPARTMENT INDEX

At one time information of this character was considered semiconfidential, but in the present régime, where competitive bidding for security issues requires the utilities to divulge all pertinent information, the proportion of "classified" or "top secret" information has been greatly reduced, and security analysts are now permitted to join the institutional ranks in obtaining more detailed information.

The new form provides six pages of detailed accounting and statistical tables for electric operations, and two additional pages for gas department statistics. Following is a summary of the tables and items contained in the report:

Page 1 shows the state in which the company operates, names of subsidiaries and leased companies, the holding company affiliation, and the population served with electricity and gas. Under "Utility Plant and Depreciation and Amortization Reserves" are shown items for electric, gas, and other divisions, also common plant, the plant acquisition adjustments, plant adjustments, and total. Gross and net additions during the year for each item are shown, as well as the year-end figures for gross plant and reserves. The electric utility plant is then reclassified by functional accounts—production, transmission, distribution, and construction work in progress. Electric production plant is also subclassified as steam, internal combustion, hydroelectric. The table shows the balance at December 31st, the gross construction expenditures during the year, *and the estimated amount for next year,* which data are of special interest to analysts.

Page 2 shows the detailed income and profit and loss statement—some forty subaccounts—the items down to gross income being allocated among electric, gas, and other services. This information is of outstanding interest since it enables the analyst to relate net operating income from each service to the net plant account allocated to that service (shown on page 1). With some allowance for working capital (perhaps 3 per cent) this would reveal the approximate rate of return earned on the individual rate bases for electricity, gas, etc. This affords a much more accurate picture than using the over-all ratio of net operating income to total net plant.

Line number 8 can be used for EPT, although, unfortunately, this detail is not specifically requested. Under "Notes" are shown total wage costs, including pensions and similar payments, the amount of depreciation and depletion claimed on the Federal income tax return, details of other income when important, revenue passengers carried, etc.

Page 3 shows the general statistics for the company. (A separate report by individual states, if the company operates in more than one, is furnished to the EEI.) The first section shows under "Source of Energy" some 18 items (principally generation, purchases, interchange) with columns for total kilowatt hours and for total dollar cost. The next section shows "Disposal of Energy" in some nine items, with an "inset" for output of leased plants. Next is the classification of Sales to Ultimate Customers, and Sales for Resale, comprising some 18 items for each of which the kilowatt-hour revenues and number of customers are shown.

Page 4 lists in detail the receipts and deliveries of energy for resale, both in kilowatt hours and dollars. The type of sale—firm, dump, excess hydro, interchange, or economy interchange—can also be shown.

Page 5 details the statistics of generating stations, in the form usually shown in prospectuses, except that net kilowatt-hour generation for each station is included along with the name-plate and capability kilowatts. Another feature which is not usually shown in prospectuses is the purchase capacity available at the time of annual maximum company load, so that the analyst can compare total generating and purchase capacity with the maximum annual company load. The load factor is shown parenthetically, and the number of minutes in the demand interval is also indicated. Another valuable feature, not always shown in complete detail in the prospectuses, is the list of new stations or additional units now

under construction, showing both nameplate capacity and capability and the estimated date when they will be placed in service.

Page 6 shows fuel statistics for electric service—the total units consumed, the average cost per unit, and the average BTU content for various kinds of fuel. (Space is provided for nine kinds.) The table also shows the net kilowatt-hour generation for each kind of fuel, and the efficiency performance in BTU per net kilowatt hour.

This page also gives a table for miles of electric line operated, both overhead and underground, showing the statistics for poles, steel towers, underground lines, etc., the figures being classified according to line voltage. Item 11 shows substation and transformer capacity.

PAGES G-1, 2 give gas department statistics comprising 48 lines, some of which are subdivided. Revenues are shown in some detail, residential being divided between customers with house heating and those without, while industrial customers are divided between firm and interruptible. This section shows revenues, MCF or therm sales, and number of customers. Operating and maintenance expense shows a breakdown for production cost as between coal and coke-oven gas, water gas, liquefied petroleum gas, natural gas, and others, with a notation of residual credits on the first two. Cost of purchased gas is subdivided among manufactured, natural, and mixed. Cost of storage facilities is also shown.

The statistical section includes a number of miscellaneous items such as gas used and unaccounted for, company use, maximum 24-hour send-out, the amount of generator fuel used, production capacity in different categories, miles of gas mains, capacity of storage holders and underground storage, number of compressor stations, degree-days during the year and the average for past years, etc. The gas utility plant is broken down by nine functional and miscellaneous accounts; and (as with electric plant) construction during past year and estimate for coming year are also shown.

This addition to the store of information available to the analysts should be of great aid in analyzing utility securities, and will also aid in appraising new security offerings, although of course the prospectus will continue to be the "bible." The electric utilities can now well claim the distinction of making available to the public and the profession the most complete and useful statistics of any industry. The next objective of the industry should be to improve its cost accounting methods as a guide to better rate making.

Bell System's Record Financing

AMERICAN TELEPHONE AND TELEGRAPH COMPANY'S current financing is of record size. The company is offering about $415,000,000 new convertible debenture 3⅜s due 1963 to its stockholders through issuance of rights. The holder of each 7 shares of common stock, as of January 29th, was entitled to purchase a $100 debenture at par, and the rights expire March 19th.

The new debentures will be convertible in the period June 1, 1951, to March 18, 1962 (one year before maturity), into common stock on the basis of exchanging a $100 bond for one share of stock and making a cash payment of $38. With the stock selling currently around 153½, the new bonds are selling "when issued" with about a 13-point premium, and hence the rights are quoted around 1 27/32. This financing offers a field day for Wall Street arbitrageurs, because of the size of the transactions.

The new bonds are callable beginning March 19, 1953, at 107, but the call price will decline three-quarters of a point each year. When conversions are made, interest and dividends will be adjusted to the date of conversion.

Including the new issue of $415,000,000, approximately $843,000,000 of American Telephone convertible debentures are now outstanding. If fully converted, they would increase the number of common shares by about 8,400,000 shares to approximately 37,200,000 shares. In addition, 1,485,000 shares of

stock have been sold to the company's employees on an instalment basis, to be issued when fully paid for. (It is estimated that about 855,000 shares will be fully paid by May or June of this year, and the remaining 630,000 shares by the middle of 1952.) Since September 30th about $50,000,000 of the three old convertible debentures have been converted, which has increased the shares outstanding by 500,000 to about 28,800,000 shares.

In the postwar period the Bell system has spent about $5.3 billion for new construction. While the number of telephones has been increased about 60 per cent, waiting lists still persist in some areas, and the national backlog of unfilled residential orders probably ranges between one and two million, including the great number of party-line subscribers who would like individual phones. New defense construction will also add to the company's chore.

The Federal Tax Burden

STANDARD & POOR'S "Outlook" has been publishing some weekly tables showing EPT exemptions for utility companies. It is interesting to note that, of 67 utility companies thus far tabulated, only nine appeared liable for EPT payments in 1950 and some of these were "border-line" cases where payments would be quite small. This seems to bear out forecasts in this department that the burden of the tax on utilities would be comparatively light.

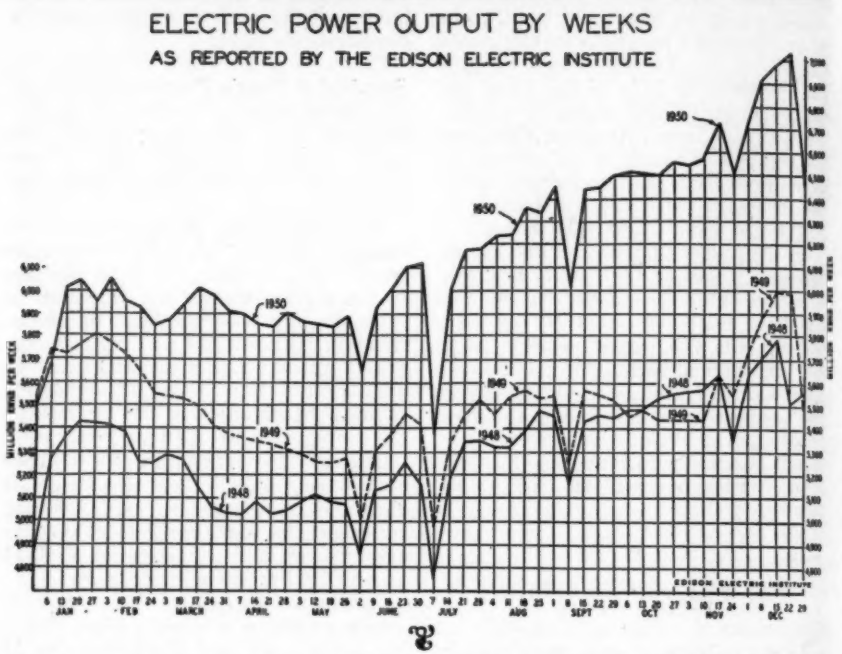
Of the 62 utilities thus far reported by Standard & Poor's, 79 per cent used the "regulated industry" method of calculating their EPT exemption, 10 per cent used "average earnings," and 11 per cent chose "invested capital" (historical capital approach).

The industry has no occasion to congratulate itself on this relative immunity from EPT, however, since the increase in the regular income tax threatens to become a very heavy burden. The administration has advocated a 55 per cent corporate income tax rate retroactive to January 1st—but Congress may decide to make the tax effective July 1st, making the average rate for the year 51 per cent. These rates compare with a rate of 40 per cent during World War II. Below is the record of Federal taxation (excluding miscellaneous taxes) for 1941-49 on electric utilities, and estimates for 1950-51 —with 1951 estimated three ways.

While the figures for 1951 are only rough estimates, it appears likely that if the income tax rate is advanced to 55 per cent for the entire year 1951, total Federal taxes on income would almost equal the combined effects of the highest income and EPT taxes during World War II. If politics prevent balancing the budget through an increase in excise taxes, and corporate and individual in-

Years	*Income Tax Rate*	*Revenues (Mill.)*	*Federal Taxes on Income (Mill.)*			*Ratio All Income Taxes to Rev.*
			Income Tax	*EPT*	*Total*	
1941	31%	$2,467	$183	$ 47	$230	9%
1942	40	2,609	200	133	333	13
1943	40	2,816	196	188	384	14
1944	40	2,955	189	186	375	13
1945	40	3,012	191	154	345	12
1946	38	3,127	307	—	307	10
1947	38	3,480	299	—	299	9
1948	38	3,903	307	—	307	8
1949	38	4,143	359	—	359	9
1950E	42	4,500	440	10†	450	10
1951E	47	5,000	550*	20†	570	11
1951E	51	5,000	595*	20†	615	12
1951E	55	5,000	640*	20†	660	13

E—Estimate.
*Assumes a 14 per cent increase in taxable income.
†Nominal estimate—no figures yet available.



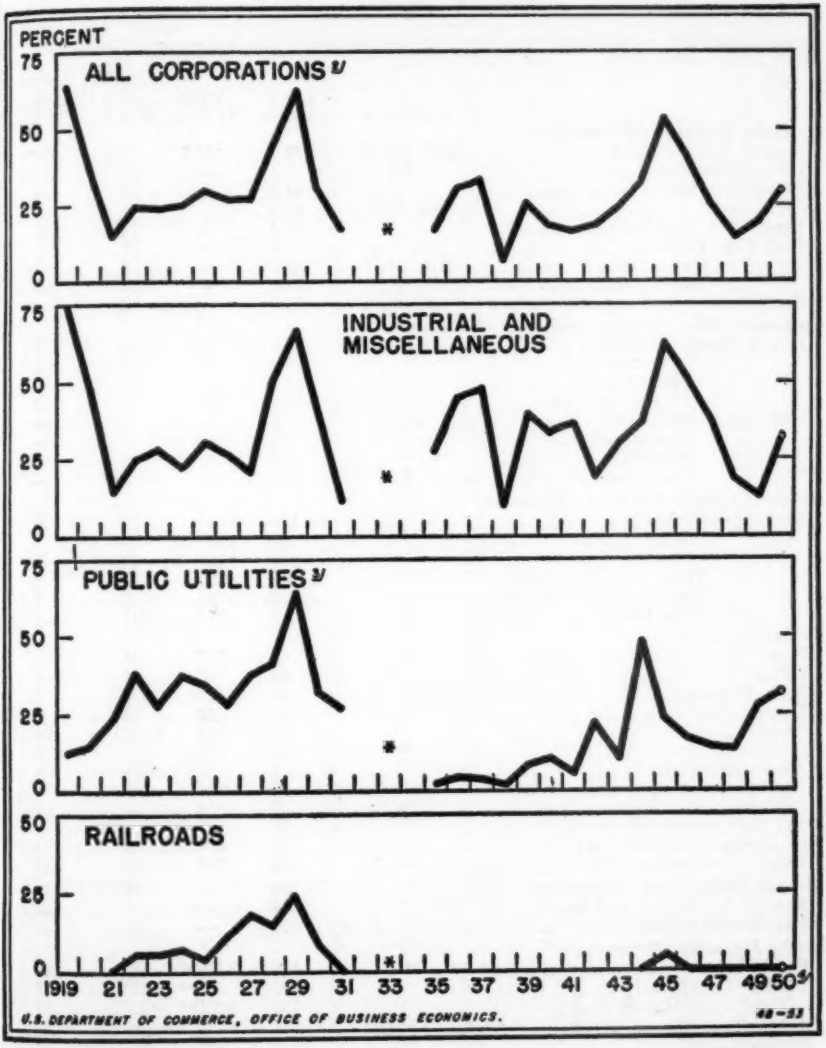
come taxes must "stand the rap," Congress should temper the blow by making the new rate apply only to the second half of the year. In 1952, with added growth, the utilities might be in better shape financially to absorb a 55 per cent tax.

Equity Ratios

PHILIP SPORN, president of American Gas & Electric Company, in a recent address before the New York Society of Security Analysts, made a very interesting statement regarding equity ratios which we quote verbatim as follows:

> I believe that perhaps the most optimistic development from a financing standpoint that has taken place as far as the utility industry is concerned is the progress that we have made with regulatory agencies, particularly with the Securities and Exchange Commission, in getting across the relatively simple but very basic idea that the road to a financing Utopia did not lie along a line of higher and higher equity ratios. It is only a few years ago that responsible members of regulatory bodies were preaching the gospel of salvation through higher equity ratios and were attempting to bring practice in line with the gospel by insisting on a program of raising equity ratios to limits presumably of the order of 50 per cent and possibly higher. The fact that the income tax structure made that more expensive money was supposed to be overbalanced by the higher price-earnings ratio as equity ratios were raised. But this myth has been pretty well exploded, and regulatory bodies in general are aware of the fact that, while from a standpoint of minimum headaches to management and regulatory bodies, 100 per cent equity ratio capital structure may be desirable, it cannot be done except at a terrific increase in the cost of service given to the customer. As a consequence, I think

PREFERRED AND COMMON STOCK ISSUES AS A PERCENTAGE OF TOTAL AMOUNT OF NEW CAPITAL ISSUES



*Ratios omitted in 1932, 1933, and 1934, because of the extremely low volume of new capital issues.

Source of data: *Commercial and Financial Chronicle.*

we are going to see a stabilization of equity ratios in high-grade and financially well-set-up companies around the level of 30 to 35 per cent. This is going to continue to be of enormous help in keeping the cost of service down.

CURRENT UTILITY STATISTICS AND RATIOS

	Unit Used	Latest Month	Latest 12 Mos.	Per Cent Increase Latest Month	Per Cent Increase Latest 12 Mos.
Operating Statistics (November)					
Output KWH—Total	Bill. KWH	29.0	324.7	19%	12%
Hydro-generated	"	7.7	—	12	—
Steam-generated	"	21.3	—	25	—
Capacity	Mill. KW	68.0	—	1	—
Peak Load (October)	"	57.3	—	12	—
Fuel Use: Coal	Mill. tons	8.8	—	31	—
Gas	Mill. MCF	47.7	—	2	—
Oil	Mill. bbls.	6.2	—	D15	—
Coal Stocks	Mill. tons	32.3	—	42	—
Customers, Sales, Revenues, and Plant (November)					
KWH Sales—Residential	Bill. KWH	4.3	50	14	12
Commercial	"	3.4	39	11	8
Industrial	"	10.8	117	29	14
Total, Incl. Misc.	"	25.0	282	18	10
Customers—Residential	Mill.	28.6	—	5	—
Commercial	"	4.2	—	3	—
Industrial	"	.5	—	4	—
Total	"	35.6	—	5	—
Income Account—Summary (November)					
Revenues—Residential	Mill. $	127	1,465	11	10
Commercial	"	95	1,099	9	7
Industrial	"	119	1,321	20	10
Total, Incl. Misc. Sales.	"	376	4,295	13	9
Sales to Other Utilities.	"	32	383	8	5
Misc. Income	"	12	196	D1	8
Expenditures					
Fuel	"	68	752	15	7
Labor	"	80	908	11	6
Misc. Expenses	"	66	776	6	3
Depreciation	"	37	431	13	12
Taxes	"	81	911	26	16
Interest	"	22	258	7	6
Amortization, etc.	"	1	21	D34	D1
Net Income	"	65	817	5	9
Preferred Div. (Est.)	"	9	110	—	9
Bal. for Common Stock (Est.)	"	56	707	6	10
Common Dividends (Est.)	"	41	498	7	14
Balance to Surplus (Est.)	"	15	209	25	44
Electric Utility Plant (November)	"	18,788	—	10	—
Reserve for Deprec. and Amort.	"	3,894	—	8	—
Net Electric Utility Plant	"	14,894	—	10	—
Utility Financing (November)*					
Bonds	"	128	2,269**	12	17
Stocks	"	25	732**	D50	18
Total	"	153	3,001**	D7	17
Life Insurance Investments (January 1st-January 28th)					
Utility Bonds	"	—	33	—	45
Utility Stocks	"	—	2	—	D82
Total	"	—	35	—	3
Per Cent of All Investments	"	—	5%	—	D51

D—Decrease. *Data for all utilities (electric, gas, telephone, etc.), including refunding issues. **Eleven months ended November 30th.

RECENT FINANCIAL DATA ON GAS COMPANY STOCKS

		2/9/51 Price About	Indicated Dividend Rate	Approx. Yield	Share Earnings# Cur. Period	Prev. Period	% Increase	Price-Earnings Ratio	Div. Payout
Natural Gas—Retail									
C	Arkansas Natural Gas	13	$ .60	4.6%	$1.26d*	$1.44	D6	10.3	48%
O	Atlanta Gas Light	22	1.20	5.5	2.05s	1.71	20	10.7	59
O	Central Elec. & Gas	10	.80	8.0	1.17s	1.02	15	8.8	68
S	Columbia Gas System	13	.80	6.2	1.15s	.81	42	11.3	65
C	Consol. Gas Util.	12	.75	6.3	1.49o	1.65	D10	8.1	50
S	Consol. Nat. Gas	48	2.00	4.2	4.69s	3.51	34	10.2	43
S	Equitable Gas	22	1.30	5.9	2.15s	—	—	10.2	60
O	Houston Nat. Gas	17	.80	4.7	1.06ju	1.45	D27	16.0	75
O	Indiana Gas & Water	20	1.20	6.0	2.04d	1.81	13	9.8	59
O	Kansas-Neb. Nat. Gas	19	1.10(c)	5.8	1.63d*	1.55	5	11.7	67
S	Laclede Gas	7	.40	5.7	.82d	.68	21	8.5	49
C	Lone Star Gas	28	1.40	5.0	2.15s	1.74	24	13.0	65
O	Minneapolis Gas	18	1.00	5.6	1.55s	.86	80	11.6	65
O	Mission Oil	46	2.20	4.8	3.60d*	2.05	76	12.8	61
O	Mobile Gas Service	28	1.60	5.7	3.39s	2.05	65	8.3	47
S	Montana-Dakota Util.	12	.80	6.7	1.36s	1.36	—	8.8	59
C	National Fuel Gas	13	.80	6.2	1.20s	.74	62	10.8	67
O	National Gas & Oil	7	.40	5.7	.58d*	1.40	D59	12.1	69
C	Okla. Natural Gas	31	2.00	6.5	2.90n	3.21	D10	10.7	69
S	Pacific Lighting	53	3.00	5.7	5.01s	3.18	58	10.6	60
C	Pacific Pub. Serv.	15	1.00	6.7	2.08d*	3.21	D50	7.2	48
S	Peoples Gas L. & Coke	123	6.00	4.9	10.67s	6.84	56	11.5	56
C	Rio Grande Valley	2¼	.12	4.8	.19d*	.20	—	13.2	63
O	Rockland Gas	35	1.70	4.9	4.41d*	2.73	62	7.9	39
O	Southern Union Gas	20	.80	4.0	1.58s	.95	66	12.7	51
S	United Gas	23	1.00	4.3	1.54s	1.30	18	14.9	65
S	Washington Gas Light	26	1.50	5.8	3.21d	1.68	91	8.1	47
	Averages			5.6%				10.7	
Natural Gas—Wholesale and Pipeline									
S	American Natural Gas	30	$1.60	5.3%	$2.27s	$1.44	58	13.2	53%
O	Commonwealth Gas	10	.15	1.5	.62d*	.68	D9	16.1	24
S	El Paso Nat. Gas	28	1.40	5.0	1.98n	1.72	15	14.1	71
O	Interstate Nat. Gas	35	2.50	7.1	2.50d*	2.03	23	14.0	100
O	Mississippi Riv. Fuel	35	2.00(b)	5.7	3.24s	1.99	63	10.8	62
O	Missouri-Kansas P. L.	45	1.60	3.6	1.66d	4.32	D62	—	96
O	Mountain Fuel Supply	18	.60	3.3	.91d*	.91	—	19.8	66
S	Northern Nat. Gas	32	1.80	5.6	2.43s	2.44	—	13.2	74
S	Panhandle East. P. L.	44	2.00	4.6	2.66s	2.36	13	16.5	75
S	Southern Nat. Gas	40	2.50	6.3	3.87s	3.00	29	10.3	59
O	Tenn. Gas Trans.	26	1.40**	5.4	1.73d	1.65	5	15.0	81
O	Texas East. Trans.	18	1.00	5.6	1.93d	1.49	30	9.3	52
O	Texas Gas Trans.	18	—	—	1.18je	.76	55	15.3	—
	Averages			4.9%				14.0	
Manufactured Gas—Retail									
C	Bridgeport Gas	23	$1.40	6.1%	$1.88d*	$1.60	18	12.2	74%
O	Brockton Gas Lt.	20	1.40	7.0	1.48d*	.43	244	13.5	95
S	Brooklyn Union Gas	39	2.40	6.2	3.60d	4.32	D17	10.8	67
O	Hartford Gas	36	2.00	5.6	2.67d*	1.85	44	13.5	75
O	Haverhill Gas Lt.	32	1.80	5.6	1.90n	2.31	D18	16.8	95
O	Jacksonville Gas	39	1.40	3.6	4.77d*	6.12	D22	8.2	29
C	Kings County Ltg.	8	.40	5.0	.64d*	—	—	12.5	63
O	New Haven Gas Light	28	1.60	5.7	1.70d*	1.76	D4	16.5	94
O	Providence Gas	9	.60	6.7	.56d*	.73	D30	16.1	107
O	Seattle Gas	14	.60	4.3	1.31s	1.30	—	10.7	46
S	United Gas Improvement ..	28	1.40	5.0	2.05s	1.91	7	13.7	68
	Averages			5.5%				13.1	

RECENT FINANCIAL DATA ON TELEPHONE, TRANSIT, AND WATER COMPANIES

		2/9/51 Price About	Indicated Dividend Rate	Approx. Yield	Share Earnings# Cur. Period	Prev. Period	% Increase	Price-Earnings Ratio	Div. Payout
Communication Companies									
	Bell System								
S	Amer. Tel. & Tel.	153	$9.00	5.9%	$11.92n	$8.92	32%	12.3	72
O	Cinn. & Sub. Bell Tel.	75	4.50	6.0	4.80d*	3.76	28	15.6	94
C	Mountain St. T. & T.	100	6.00	6.0	7.21d	5.28	37	13.9	83
C	New England Tel.	101	6.00	5.9	12.19d	7.19	70	8.3	49
S	Pacific Tel. & Tel.	106	7.00	6.6	8.65n*	6.32*	37	12.3	81
O	So. New Eng. Tel.	33	1.80	5.5	2.05d*	1.91	7	16.1	88
	Averages			6.0%				13.1	
	Independents								
O	Central Telephone	11	$ .80	7.3%	$1.23s	$1.18	4%	8.9	65
S	General Telephone	28	2.00	7.1	2.11s	1.55	36	13.3	95
C	Peninsular Tel.	42	2.50	6.0	4.69d*	4.71	—	9.0	53
O	Rochester Tel.	12	.80	6.7	1.62ag	—	—	7.4	49
Transit Companies									
O	Chicago SS. & S.B.	11	$1.00	9.1%	$ .91d*	$1.40	D35%	12.1	110
O	Cinn. St. Ry.	6	.30	5.0	.84d*	.77	9	7.1	36
O	Dallas Ry. & Term.	13	1.40	10.8	1.39d*	2.27	D39	9.4	101
O	Duluth Sup. Trans.	4	—	—	.79d*	.44	80	5.1	—
S	Greyhound Corp.	12	1.00	8.3	1.31s	1.35	D3	9.2	76
O	Los Angeles Transit	6	.50	8.3	.84d*	.93	D10	7.1	60
S	Nat. City Lines	11	1.00	9.1	1.75d*	1.97	D11	6.3	57
O	St. Louis P.S. A	8½	.50	5.9	.48d*	.70	D31	17.7	104
O	Syracuse Transit	19	2.00	10.5	.62d*	1.40	D13	—	323
O	United Transit	4	—	—	.55d*	.13	246	7.3	—
	Averages			8.4%				9.0	
Water Companies									
	Holding Companies								
S	Amer. Water Works	10	$ .60	6.0%	$1.01s	$ .92	10%	9.9	59
O	N. Y. Water Service	30	.63	2.1	1.63s	.94	74	18.4	31
	Operating Companies								
O	Bridgeport Hydraulic	32	$1.60	5.0%	$1.57d*	$1.78	D12%	20.4	102
O	Calif. Water Serv.	28	2.00	7.1	2.52d	2.35	7	11.1	79
O	Elizabethtown Water	101	6.00	5.9	8.37d*	6.89	21	12.1	72
S	Hackensack Water	31	1.70**	5.5	3.55d*	2.79	20	9.3	51
O	Indianapolis Water	18	.80	4.4	1.33d*	1.42	D6	13.5	60
O	Jamaica Water Supply	22	1.50	6.8	2.33d	1.28	82	9.4	64
O	Middlesex Water	53	3.00	5.7	4.87d*	4.94	D2	10.9	62
O	New Haven Water	53	3.00	5.7	3.45d*	3.61	D4	15.4	87
O	Ohio Water Serv.	20	1.50	7.5	1.67je	2.15	D22	12.0	90
O	Phila. & Sub. Water	25	.80	3.2	3.49d*	3.01	16	7.2	23
O	Plainfield Union Wt.	60	4.00	6.7	5.09d*	5.02	1	11.8	79
O	San Jose Water	32	2.00	6.3	2.95n	2.86	3	10.8	68
O	Scranton-Spring Brook	13	.70	5.4	1.14s	.83	37	11.4	61
O	Southern Cal. Water	8	.65	8.1	.73s	.79	D8	11.0	89
O	Stamford Water	55	2.00	3.6	2.35d*	2.21	6	23.4	85
O	West Va. Wt. Service	18	1.20	6.7	1.28d*	1.48*	D14	14.1	94
	Averages			5.9%				12.7	

D—Deficit. C—Curb Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. *Based on average number of shares outstanding. **Also 25 per cent stock dividend. #In order to facilitate comparisons, earnings are calculated on present number of shares outstanding, except as otherwise indicated. (a) Stock dividend of 50 per cent payable July 1st, and cash of 10 cents payable same date (on new stock); 25 cents paid in 1949. (b) Also 10 per cent stock dividend. (c) Also 5 per cent stock dividend. d—December, 1949. je—June. ju—July. ag—August. s—September. o—October. n—November. d—December.

What Others Think

Britain Piles on Socialized Services

THE British workingman, who already receives free medical services from the cradle to the grave, recently became eligible for free litigation. Operation of the Legal Aid and Advice Bill enacted in 1949 will erase the old saying that justice is available only to the very rich and very poor.

This provision of state-paid legal counsel for those unable to pay for it is not a controversial product of British Labor Socialism. It was put through Parliament without opposition and with the blessing of the legal profession. The act provides that persons whose income and capital are within prescribed limits may apply for free or partly free legal assistance. Actions for defamation or breach of promise are not included, but divorce cases are expected to bulk large on the state-assisted calendars.

The act operates only in the higher courts, but actions transferred from lower courts will be eligible. Counsel may be chosen by the litigant from panels of lawyers. More than 5,000 lawyers have registered for the service. Their fees will be about 85 per cent of normal. The estimated cost to the government will be about £1,000,000 a year.

The Lord Chancellor, Viscount Jowitt, the nation's chief legal officer, explained the new service in a broadcast last October. He said it was intended for persons whose income was not more than £3 a week. However, allowances for married persons and others with high expenses make it possible for some with incomes as high as £700 a year to qualify. Some of these may have to bear part of the costs, paid in instalments. The question of whether such a step would increase litigation is still to be answered.

The fact that the bill went through Parliament without Conservative opposition and with the approval of its legal fraternity may have special significance. As the *Newark Evening News* remarked, editorially, more doubtless would have been made of this innovation were not free medical aid for the British worker already established after a bitter fight. Furnishing legal aid by the state is not so sweeping in character. It applies, for the time being, only when cases get into the higher courts. Only those whose income and capital are within certain limits may avail themselves of it. If a neighbor calls Mrs. Jones "out of her name" or the baker's boy jilts the nursemaid, the nation refuses to be financially interested. Not so in divorce cases. The nation in its first case was paying counsel for both applicant and defendant.

LAWYERS' fees are going to be only about 85 per cent of normal. What of that? There will be more cases with those turning to the law for justice who hitherto could not afford to do so. At all events, 5,000 lawyers already have registered for this service. From the standpoint of the individual litigant who is certified by one of the 112 committees set up under the National Assistance Board, the situation is still brighter from the fact he does not have to take an assigned counsel, but may make his choice from a panel of lawyers.

How have some of the older British experiments in Socialism been working out? Through the experienced eye of an American financial economist, Robert S. Byfield, we get some comparative results along this line. Writing in his popular New York "market letter" of January 16, 1951, Mr. Byfield said:

As a result of personal visits to the Continent in 1948, 1949, and 1950, we are extremely skeptical as to whether some of the most important western European nations will find it politically possible to jettison enough of their social programs to make way for all-out, full-scale rearmament. Socialist Britain may be giving us a pertinent example at this very moment. She is failing to produce enough coal for her own needs under nationalization, while January 1, 1951, was vesting day for the steel industry which is being taken over by the state. She is short of man power which reminds us that the British nationalized railways have about 19,600 miles of track with about 650,000 employees. The Atchison, Topeka & Santa Fe operates about 13,000 miles of track with 67,000 men, a comparison which is not entirely fair because traffic density, passenger operations, and other considerations enter into the picture, but they would not by any means account for the enormous differences in personnel. Recently also we mined three times as much coal as the British with only a little more than half the number of miners. The point is that industrially inefficient countries cannot spare as much man power for military purposes as they should.

THE latest experiment in British nationalization was taking over the steel companies. Nothing the Labor government has done in five years of its Socialist régime has provoked such a storm as its decision to take over the iron and steel industry. Ninety-two great companies were scheduled to pass out of the realm of private ownership early in February, 1951.

Much of the storm has arisen because steel is a healthy, up and coming industry. No one said much when coal, for example, was taken over. The industry had become uneconomic. The only solution was public ownership. "But," say the critics, "there is no need to take over steel." They say it is the work, as Churchill put it in the House of Commons debate some months ago, of "a fanatical intelligentsia obsessed by economic fallacies."

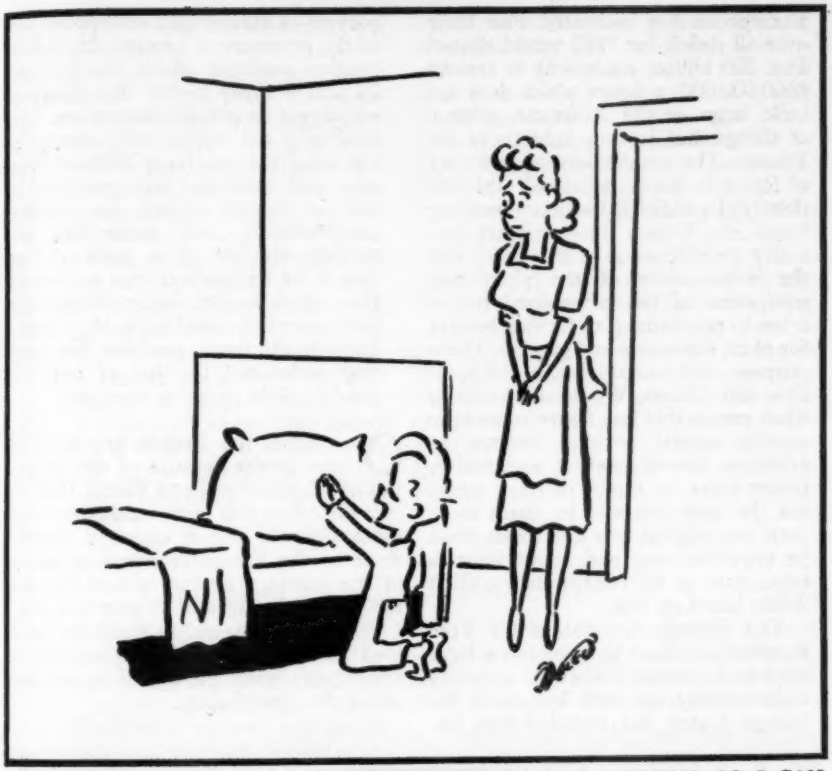
According to William McGaffin, whose London dispatches are published in the *New Orleans Times-Picayune*, here is how the law will be put into effect: The government will not just seize the industry without compensation as the Communists did in Russia in 1917. The owners—there are about 250,000 individual stockholders—will give up their shares in return for government bonds. These bonds, however, will pay only about 3 per cent interest whereas the shares have been yielding 5 to 6 per cent in dividends.

The owners are bitter, too, because the government will be paying the equivalent of only $850,000,000 for properties which they maintain are actually worth around twice that much. The government is basing its figure on stock exchange quotations at certain dates in 1945 and 1948, whichever is higher. But the owners say that exchange quotations do not truly reflect an unwilling seller's equity.

The basic policy under which this nationalization will be carried out is the work of Herbert Morrison, 62-year-old No. 2 man in the Labor government. Deputy Prime Minister Morrison—like Clement Attlee—is a vigorous anti-Communist. He rejects much of the Marxist philosophy and prides himself on being a "safe Socialist." He would like to have postponed the takeover of steel and concentrate on consolidating the experiments already undertaken. But he was overruled.

His ideas, however, first worked out in 1930 when he was Minister of Transport under Ramsay MacDonald, are being followed, as they first were when Morrison set up a unified publicly owned transport service for London (subway, bus, and streetcar) and later when coal, gas, electricity, and the railroads were taken over.

THERE will be no direct "workers' control" of the steel industry, nor will it become the added child of some



"AND PLEASE MAKE MY PARENTS A LITTLE MORE MODERN, SO I CAN SAY MY PRAYERS UNDER AN ELECTRIC BLANKET!"

government department. Rather, a separate public board—called the iron and steel corporation—will be set up. Experienced businessmen will be hired at good salaries and will run the industry with the aim of showing a profit.

Ninety-two companies are being taken over. Some 400 will not be touched. Ninety per cent of the industry's raw steel output will be represented in the 92 companies, it is claimed. But critics argue that islands of various sizes will be left in private hands. The nationalized board, for instance, will control 68 per cent of the production of alloy bars, 23 per cent of steel castings, 45 per cent of steel forgings, 49 per cent of wire, 60 per cent of steel tubes, 22 per cent of iron castings, 24 per cent of bright steel bars, and 5 per cent of bolts and nuts.

It is France, however, which may provide us with a textbook case in the problems of utility socialization, according to Byfield. In his same New York "market letter" of January 16th, Byfield discusses the shortcomings of French utility services as follows:

> . . . Last October we called attention to the inability or unwillingness of the French government to grapple with the fantastic operating losses of the SNCF, the nationalized railway system, which carries seven workers on pension for each ten active employees, and which allows a locomotive engineer to retire at age fifty. Recently the Control Committee of Nationalized

Enterprises has estimated that their over-all deficit for 1950 would exceed Frs. 200 billion, equivalent to around $600,000,000, a figure which does not bulk large in the American scheme of things, but is very substantial for France. The second largest producer of losses is the Nationalized Gas Authority. In addition to these operating losses, the French treasury must naturally provide most of the funds for the maintenance of the plant and equipment of its nationalized industries, to say nothing of further outlays for plant expansion and growth. These purposes will take at least an additional Frs. 350 billions. We do not know to what extent this last figure represents merely normal renewal because as everyone knows when a locomotive, power plant, or a mile of track wears out the new cost will be much more than the original cost and funds must be provided over and above what is taken care of by normal depreciation debits based on cost.

The French Association for Free Enterprise, whose pamphlets we have read with interest and whose activities unfortunately are little known in the United States, has revealed that employees of nationalized enterprises and of the government bureaus themselves receive pensions which are between 3½ and 4 times higher than those of employees in private enterprises. Undoubtedly the French will attempt to cut down the terrifying Welfare State overhead which has been generated in the last decade or two, but political considerations may make this extremely difficult. It is quite obvious that if the French were not weakening themselves so drastically to maintain their so-called social gains they would have much more available for guns and tanks and the job of our GIs would not be quite so onerous.

Of course, the French are short of man power because of the casualties of World War I and World War II. Not only does this make raising an army more difficult, but it causes a further drain on the French economy by reason of the shortage of man power between the productive ages of twenty and sixty for military needs and to carry the social load for a relatively larger number of nonearners below the age of twenty and above the age of sixty.

—F. X. W.

Northwest Interstate Commission

Secretary of the Interior Chapman has recently announced a Defense Power Administration authorization of an interconnecting transmission line between the Bonneville Power Administration system in theNorthwest and Federal power facilities in California. Congressman Walt Horan (Republican, Washington), a member of the House Appropriations Committee, which must consider appropriations for this power line, has also issued a statement dealing with the interests of the people of the Northwest in such matters.

The Washington Congressman notes that proponents of this proposal say that it will be mutually desirable. He adds that it is claimed that such a connection will enable a wise management of available energy to increase the actual availability by nearly a quarter of a million kilowatts. Horan queries as to just how much discussion of this step has been had with the people of Washington, Oregon, Idaho, and Montana. On this subject, Horan comments:

> Perhaps the governors were consulted. Probably the advisory committees were informed. But a general understanding of just what the proposal means and will do is nonexistent. What are the commitments? Are there any continuing obligations? This step for the first time opens a gate out of the Columbia river drainage area for

power produced in the area and vice versa. Presumably, it would be sold or exchanged only as surplus power for interruptible load purposes. Presumably, no fixed or nonterminating demand would be built up around such a flow of energy. But who knows if this is so? *The people of the Columbia river system should be consulted.*

HORAN then reviews his proposal for a responsible interstate commission, which was first introduced in the 79th Congress and which he has been continuously studying and improving since then. According to the Northwest legislator, the bill would provide for commissioners from each of the four major states, with a fifth commissioner to be appointed at large. In addition, a committee of seventeen from the states involved would have real power in making determinations and decisions regarding the future of the Columbia river. He adds that since these commissioners would represent the major states, and since the advising committee would be appointed by the governors of the several states, the people of the area would be able to effect their will through gubernatorial elections.

He believes that it would give them a positive and responsible voice in the decisions concerning the Columbia river that may affect our future as long as the Columbia continues to flow. He concludes that some such provision must exist so that the program of comprehensive development of the "world's greatest single asset" can be acted on in the full light and wisdom of those most directly affected.

Co-op Taxation This Year?

THE heavy fiscal drains on existing tax sources in our economy are forcing internal revenue experts to cast about for new sources of income. Certain groups, up until the present emergency, have enjoyed certain tax benefits because of the nature of their operations or the structure of their organizations. At present, strong pressures are being brought to bear to include these groups in the tax base, in view of the unusual strain of defense demands on our economy.

Garner M. Lester of Jackson, Mississippi, newly elected president of the National Tax Equality Association, recently addressed the Rotary Club of Columbia, South Carolina. He dealt with the prospects of coöperative taxation during this session of Congress, and the potential income which could be derived from such taxation.

He estimated that coöperatives in the United States do $18 billion worth of business annually. If they were taxed as other businesses, the revenue from coöperatives would amount to $2 billion, he asserted.

Already, he noted, Congress has taxed the business income of schools, charities, and labor unions. Why not coöperatives, he asked? He continued:

> We're not asking for any favors, only justice and fairness. We're not concerned with the "so-called" goodness or economic value of coöperatives but only their tax privileges.
>
> They (coöperatives) claim they have no income because they are nonprofit. This is not true. Under the law, they can set up reserves on which no tax is paid. The rest of the profit, which they claim belongs to their patrons, does not have to be paid out in cash. They frequently issue stock, script, or book credits and thus keep all the money in the business.

To prove his point, Lester compared the earnings a coöperative would receive on $100,000 in ten years to the earnings of a business required to pay taxes. At the end of this period, he said, the tax-paying business would have $501,000 in contrast to $5,000,000 for the coöperative.

The March of Events

In General

States Drive for Tidelands Law

THE states' campaign to recapture control of the oil-rich tidelands from the Federal government gained momentum in Congress early last month. Legislators from California and Louisiana spearheaded the drive, preparing a bill to give the coastal margin areas to the states. The bill would be introduced in both the Senate and the House.

It was expected that the advocates of state ownership of the submerged tidelands would try to block action on the stopgap O'Mahoney Bill providing for interim operation of the tidelands by the Interior Secretary until the controversial issue is finally settled.

An informed source working on the state ownership measure said that thirty-one Senators were expected to sponsor the legislation, and that there would be a substantial group of sponsors in the House.

President Truman is on the side of Federal ownership of tidelands and is expected to veto state control if it is passed in the 82nd Congress.

Utility Injury Record Low

WORK injuries in the public utility industry showed a major decline during 1950, according to a recent report of the U. S. Department of Labor's Bureau of Labor Statistics. While the utility industry was making this record, work injuries in all other major industries increased approximately 4 per cent, the bureau said.

The total volume of all disabling work injuries in 1950 was put at about 1,952,000, an increase of 82,000 over 1949. The 1950 total of injuries, however, was below the 2,019,000, estimated for 1948, and was the second lowest figure since 1940.

Approximately 15,500 persons died as a result of work injuries encountered during 1950, and an additional 84,900 suffered some permanent impairment, such as the amputation of some body member or the impairment of some function of the body. The latter group included about 1,600 cases in which the disability was serious enough to incapacitate completely the persons for any gainful employment for the remainder of their lives.

The Department of Labor defines a work injury as an injury arising out of and in the course of employment, which results in the death or any degree of permanent impairment, or makes the injured worker unable to perform the duties of a regularly established job, open and available to him, throughout the hours corresponding to his regular shift on any one or more days (including Sundays, days off, or plant shutdowns) after the day of injury.

Commenting on the record of the public utility industry, the Bureau of Labor Statistics said that during 1950 there was a slight decrease in telephone employment and a substantial drop in other communications industries. Most of the decrease in injuries, however, can be attributed to an improvement in the injury record for most divisions of the utility industry, the bureau noted.

Integration Announced

INTEGRATION of the Liquefied Petroleum Gas Association of New Eng-

land with the Liquefied Petroleum Gas Association, Chicago, national trade organization of the LP-gas industry, was announced recently.

Under the affiliation, the New England association, representing the states of Maine, Massachusetts, Connecticut, New Hampshire, Rhode Island, and Vermont, becomes a district of LPGA, but continues to operate with autonomy in its own area. More than 150 companies currently identified with the regional organization now become members of the national body and will be served both by the national and district offices.

The New England district is the fourth to be established under LPGA's integration plan in the past year. Others are the Central states, Mountain states, and Southeastern districts.

District of Columbia

Takes Rate Case to High Court

THE Washington Gas Light Company recently carried to the U. S. Supreme Court its fight to retain a 6.14 per cent rate increase awarded by the District of Columbia Public Utilities Commission in November, 1949.

It filed a petition for a writ of certiorari—asking that the court review last January's decision of the United States Court of Appeals, which invalidated the increase. A spokesman for the commission, whose action in granting the increase had been called illegal by the court of appeals and district court, said it would file a similar petition.

The company has collected more than $850,000 under the higher rates which it would be forced to refund if the Supreme Court refuses to review the case or sustains the court of appeals.

Georgia

Strike Ban Rejected

THE house state of republic committee last month voted to kill a proposed bill to outlaw strikes in public utilities. The vote was almost unanimous.

Spokesmen for labor unions told the committee the measure was too strong, was in conflict with the Federal Taft-Hartley Act, and would hurt the public, the utilities, and labor. They pointed out the bill provided for no mediation, but called for the governor to seize control of the utilities in event of a strike.

The author of the measure said it was aimed to prevent strikes such as tied up Atlanta trolleys. At the public hearing held early last month, labor union spokesmen opposed the measure, and no utility or public groups spoke for it.

Maine

Uniform Tax Bill Introduced

A BILL designed to provide a uniform rate of taxing telephone and telegraph and electric light and power companies was filed recently in the state legislature. It was filed at the request of Fred Tucker of Limington, who said it would bring the state at least $1,000,000 more annually in revenue.

Tucker, a retired Chicago real estate dealer, proposed appointment of a state utility tax assessor. The assessor would estimate taxes on telephone and telegraph and electric companies on a uniform basis throughout the state. The state and the community in which the property was located would share the revenue equally.

Telephone and telegraph companies now pay property taxes on their real estate at local assessment rates—which vary considerably—and an excise tax. Electric companies pay local taxes.

New Hampshire

Overhaul of Utility Laws Recommended

THE first major overhaul of the state's public laws since 1911 was proposed to the general court recently in a far-reaching report submitted by an interim commission. Recommendations of the commission—originally created by the 1949 session of the state legislature—would be contained in two bills which were expected to be filed in the house of representatives in the near future.

High lights of the report included the changing of the name of the public service commission to "the public utilities commission"; boosting the salary and the term of office of the 3-member commission; placing the rates, routes, and franchises of trucks carrying freight under the regulatory powers of the commission for the first time.

Several significant changes in the utility statutes themselves were also among the recommendations handed to the lawmakers.

New Jersey

Rate Hearing Set

PUBLIC SERVICE ELECTRIC & GAS COMPANY has been ordered by the state department of public utilities to prove its electric rates are "just and reasonable." The president of the commission said the hearing had been ordered for March 14th.

The order was based on a report of the company's earnings from the sale of electric current and indicated that the relationship of the earnings may be in excess of costs and thus be "unjustifiable and unreasonable."

It also appeared, the order said, "that consideration should be given to the necessity and desirability of adjustments in specific rates and rate classifications for various classes of electric customers."

The commission will fix proper rates, the order said, if the rates appear excessive or unjustly discriminatory or preferential.

Bill Would Require Utilities to Pay Rate Case Fee

LEGISLATION to require public utilities to pay the compensation and expenses of legal counsel, experts, and assistants employed by the attorney general in rate cases was introduced recently in the state assembly.

Drawn by Attorney General Parsons after consultation with the principal utility companies, the measure would be applicable when a utility petitioned the state commission for an increase in rates, tolls, fares, or charges. The reimbursable expenses thus incurred by the attorney general to protect the public interest could not exceed one-tenth of one per cent of the utility's annual revenues. The cost would be deemed an operating expense of the utility.

The measure is a compromise version of more stringent legislation that was introduced last year at Parson's behest.

Ohio

New Electric Group Formed

FORMATION of the Ohio Electric Utility Institute by the state's nine principal electric power companies was announced recently by the participating companies.

General objectives include interchange of information and ideas with respect to various problems of utility management and operation for the benefit of the industry in keeping it prepared to meet the constantly increasing demands

of its customers for an ample, adequate, and reasonably priced supply of electric energy, and also to meet the power requirements of the nation's rearmament program.

Charter members are: Central Ohio Light & Power Company, The Cincinnati Gas & Electric Company, The Cleveland Electric Illuminating Company, the Columbus & Southern Ohio Electric Company, The Dayton Power & Light Company, Ohio Edison Company, The Ohio Power Company, The Toledo Edison Company, and Marietta Electric Company.

The institute's 1951 officers are: president, Harold Turner, Canton, vice president and general manager of The Ohio Power Company; vice president, R. E. Burger, Akron, chairman of the executive committee of Ohio Edison Company; treasurer, H. C. Vincent, Columbus, vice president and treasurer of Columbus & Southern Ohio Electric Company.

J. B. Johnson of Elyria has been appointed manager-secretary of the institute. Mr. Johnson has been active in the public utility industry in Ohio for more than thirty-five years and was a vice president and director of the former Ohio Public Service Company and manager of the Elyria division. He will continue his present position as manager of the Elyria division of Ohio Edison for the present, but plans to sever his connection at a future date to devote his entire time to the work of the institute from an office to be opened in Columbus, Ohio.

South Carolina

Commissioners Re-elected

FIVE members of the state public service commission were re-elected last month to $5,700-a-year, 2-year terms at a joint session of the state general assembly.

Re-elected were Commissioners John C. Coney of Reevesville, Rufus M. Newton of Anderson, Charles A. Rice of Greenville, J. C. Darby of Winnsboro, and Edward Wimberly of St. Matthews.

Only Newton was opposed. He defeated Representative S. H. Benjamin of St. Matthews by a vote of 96 to 53.

Washington

Battles Power "Exports"

GOVERNOR Langlie made a vigorous protest recently against a Federal proposal that would make Northwest power production available to California. He sent telegrams to all members of the Washington congressional delegation protesting construction of an electric tie line that would connect the power systems of the Pacific Northwest and California.

"I protest this transmission line intertie because it is the first step in the diversion of an important Northwest resource to other areas," the chief executive said.

"Our electricity and industrial water is a tremendous resource that can be used most economically in the Northwest.

"I do not believe the exportation of power from this area is in the best interest of our state or the Pacific Northwest and am of the opinion other means proposed in speed-up program are more suitable."

The governor also sent a letter to Charles E. Wilson, Director of Defense Mobilization, saying, "I have the advice of competent engineers that the construction of this line will contribute little or nothing to the defense effort that cannot be accomplished more quickly by other means. This construction will absorb large quantities of critical material and man power."

Progress of Regulation

Option Warrants Properly Denied Participation in Plan For Dissolutions under the Holding Company Act

THE Supreme Court of the United States upheld a finding of the Securities and Exchange Commission that a holding company dissolution plan was fair and equitable although it made no provision for participation of outstanding stock option warrants. The commission had concluded that there was no reasonable expectation, within the foreseeable future, that the market price of the stock would exceed the exercise price of the warrants.

After considering all the circumstances, including the market for the warrants, the commission had been unable to find any justification for recognizing any present value in the warrants at the expense of the common stock.

An option warrant holder's objection was not primarily to the commission's computation of the investment value of the warrants in so far as that value was based upon the relationship between their exercise price and the value of the common stock.

His claim was rather that the commission should, as a matter of law, have given greater recognition than it had to the market value of the warrants themselves. He contended that the warrants had a valuable perpetual feature because they could be exercised at any time.

The Court admitted that this feature of the option did afford ground for anticipating its survival beyond the short period which limits ordinary estimates of investment values. This perpetual feature might be called the premium value of the warrants as distinguished from their investment value. A purchaser might be willing to pay a nominal price for a warrant which has no investment value on the mere chance that it might be salable in a rising market. But this does not provide an adequate reason for allowing a value to warrants at the expense of common stock in a holding company dissolution.

In determining the fairness and equity of compensation to be allowed option warrant holders, the commission is not bound, as a matter of law, to limit itself precisely to the values which the market recognizes, according to the Court. The informed judgment of the commission, rather than that of the market, has been designated by the Holding Company Act as the appropriate guide to fairness and equity. Under the standards approved by the Court, that informed judgment looks for investment values on a going concern basis measured primarily by the commission's estimates of earnings within the foreseeable future.

The Court said that in the absence of abuse of its discretion, the commission's approval of a holding company dissolution plan is as lawful and binding when it recognizes a value of zero for a security as when it selects any other figure. In each case, the commission must determine the fairness and equity of the plan to all affected.

Proof that the warrants were wholly worthless and without market value was not required to sustain the commission's findings as to fairness and equity. It was

enough, said the Court, that the commission had given the warrants careful consideration and under all the circumstances, including market value, had found the plan fair and equitable. The Court believed that a class of securities may go unrecognized in a holding company dissolution when informed estimates of future earnings indicate that they have no investment value. *Niagara Hudson Power Corp. v. Leventritt (Nos. 211, 212).*

Natural Gas Tariff Properly Limited to Sales for Resale

THE court of appeals set aside an order of the Federal Power Commission disapproving changes proposed by a natural gas company in the applicability provision of its tariff. The proposed tariff was to be applicable only to natural gas delivered to buyers for resale.

The commission had required the company to make the tariff applicable to all natural gas delivered to the buyer, whether or not for resale. This would include gas consumed by buyers in their own boiler plants. This action was held by the court to be contrary to the Natural Gas Act.

The court referred to Panhandle Eastern Pipeline Co. *v.* Indiana Public Service Commission (1947) 332 US 507, 71 PUR NS 97, in which the United States Supreme Court interpreted § 1(b) of the act. In that case the Supreme Court upheld the right of a state commission to regulate sales of natural gas by an interstate pipeline company direct to industrial consumers. It ruled that direct sales for consumptive use were excluded from the coverage of the Natural Gas Act under § 1(b).

The court of appeals said that this decision meant that the power of the Federal Power Commission to regulate the sale of natural gas by a company subject to its jurisdiction extends only to sales to buyers for resale, and not to sales to buyers for their own consumption. Consequently, the commission was without authority to compel the company to make its tariff applicable to any sales other than those for resale.

It was beyond the commission's power to require the company to make its tariff applicable to sales outside the regulatory power of the commission, since this would, in effect, constitute regulation of such sales. The filed tariff should have been allowed since it did no more than limit the applicability of the tariff to those sales within the commission's regulatory jurisdiction.

The court observed that the buyers were not deprived of protection by this decision, as the state has full power to regulate direct sales of natural gas for consumption within its borders. *Colorado Interstate Gas Co. v. Federal Power Commission, 185 F2d 357.*

Par Values and Capital Accounts Discussed by Commission in Decision on Stock Split-up

THE New York commission authorized the New York Water Service Corporation to issue 372,256 shares of $10 par value stock in exchange for 46,532 shares of no-par value stock. A transfer of $3,676,028 to common capital stock account from unearned surplus-special was also approved.

Various proposals by the company for issuance of stock having a lower par value than $10 were rejected. Proposals to issue stock with a low par value, accompanied by the freezing of a portion of the stockholders' equity in capital surplus account, were disapproved.

Among the reasons advanced for a low par value was the advantage which would accrue to stockholders of paying a lower Federal stamp tax for transfer of stock. The commission, however, thought that disadvantages would outweigh this factor. The commission said:

. . . it is extremely doubtful that the presence of an unearned surplus balance, representing real equity in a utility, would be of material aid to a proper appraisal of the financial status of a corporation as expressed by its balance sheet, unless such financial statement was supported by elaborate footnotes. There are many classes of unearned surplus which may or may not reflect equity and if such unearned surplus is not held to provide for impairments and deficiencies and is a proper part of the common stockholder's equity, why should it not be reflected in the capital account for the purpose of simplicity? Further, the common stockholders' equity should not be frozen in unearned surplus, if it will, in any manner, aid in speculation or manipulation of stock through subsequent trading in the market.

The commission has insisted that common stock or other securities which, under its jurisdiction, utilities are authorized to issue, should not be considered instruments for speculation; they should be considered as investments which the public will willingly buy and hold for income purposes.

The company's present stock had a market value of $153 bid and $160 asked. The no-par value stock, with a stated value of $1 a share, could be split into stock with par value of $10 to be exchanged at a rate of 8 shares for one or it could be split into shares of stock with an $8 par value and be exchanged at a rate of 10 for one. The company preferred the $8 par value on the ground that it would place the market price of the stock within a range which would have broader investment appeal. The commission, however, said that in recent capital reorganizations it had not approved the issuance of new common stock in an amount under $10 per share except under unusual circumstances and conditions. The commission continued:

> It is true that the usual objective of a stock-split is to reach a broader market for the stock, and if the price range were between $1 and $5 per share, other things being equal, the stock would probably have a wider distribution than a stock in a higher price range. However, the expense of servicing such stock—namely, transfer expense, reports to stockholders, payment of dividends, etc.—would no doubt be greater than the costs incurred in connection with a $10 par stock selling for around $15 per share.

The type of common stock to be issued was said to be a problem to be decided by management after giving due consideration to all factors involved. The commission has not adopted a fixed or definite policy as between par and no-par common stock. There were said to be advantages and disadvantages to each type of stock. Corporate organization tax on par stock in New York is less than on no-par provided the par value is less than $100 per share. Federal transfer tax is also less on par stock than on no-par, but the state transfer tax is based on the selling price and probably would be the same for either type. On the other hand, transfers of free surplus to the capital stock account can more easily be made with no-par than with par stock, and at a substantially lower cost. *Re New York Water Service Corp. (Case 14699).*

Automatic Speed Control Devices Recommended for Wreck-ridden Railroad

THE New York commission, after considering the safety record of the Long Island Railroad during the past year, directed the newly appointed officers of the line to take steps to effect the railroad's reorganization and rehabilitation. These steps included, among other things, the installation of automatic speed control devices which would not leave the stopping of trains passing red signals to the discretion of the enginemen.

The commission made this recom-

mendation after finding that the immediate cause of the line's most recent wreck was disobedience of signals on the part of the motorman of the overtaking train. *Re Smucker (Long Island R. Co.) (Case 15157).*

Substitution of Prepaid for Open-agency Station

THE Indiana commission authorized the substitution of a prepaid railroad station for an open-agency station, although freight revenues exceeded by three times the total direct expenses of the agency.

The commission concluded that the railroad's need to economize far outweighed the inconvenience to the public, there being only one major business served by the station. *Re New York Central R. Co. (No. 22122).*

Conditions Imposed on Water Rate Increase

THE Wisconsin commission authorized a municipal water utility to increase its rates where additional revenues were required to meet the increased cost of labor and materials and to provide funds with which to amortize its funded debt.

The commission directed the utility to establish a charge for water provided for public buildings and for street sprinkling and sewer flushing. The commission also directed it to cease charging large consumers on a flat rate basis and to obtain meters and install them.

The new rates would yield a return of approximately 5.5 per cent and at the same time would provide a customer with the most water at the lowest possible rate commensurate with his demand and hours of use of that demand as reflected in the gallons registered on his meter. *Re Blair (2-U-3400).*

When Competition Not Allowed

THE Mississippi Supreme Court reversed a commission order granting a motor carrier certificate where the area to be served was only 8 miles off an existing carrier's route and would require a duplication of service of over 112 miles.

The court held that in granting certificates due consideration must be given to existing facilities and that a certificate should not be granted where there is existing adequate service and, if inadequate, unless the existing carrier has been given an opportunity to furnish such additional service as may be required by the public. *Dixie Greyhound Lines, Inc. et al. v. American Buslines, Inc. 48 So2d 584.*

Court Rejects Customer's Complaint against Loss of Discount for Slow Payment

A CUSTOMER of a public utility company cannot institute a rate case in court. His grievance can go only to the public service commission, according to a ruling of the appellate division of the New York Supreme Court.

Central Hudson Gas & Electric Corporation had sued a customer and recovered a judgment for an unpaid balance for gas and electricity. The bill had shown the net amount to be charged if the bill were paid within ten days and a larger amount if paid later. The customer paid the net amount after the 10-day period and refused to pay at the gross amount. The difference was the amount sued for

and recovered by the utility company.

A lower court, the action of which was upheld by the appellate court, ruled that it had no jurisdiction of the subject matter presented in defenses by the customer and that they were insufficient in law. Specifically, the defenses were to the effect that the amount sued for constituted an illegal penalty and an usurious and illegal rate of interest, that the billing of charges at the net and gross amounts under the permission of a commission order constituted an unauthorized rate revision, and that the order was illegal and void.

A defense and counterclaim was to the effect that rates charged and paid were unjust and unreasonable to the extent of one-third thereof as to the furnished gas and one-fourth thereof as to electricity. The counterclaim was for the alleged excessive amounts paid.

These complaints against the company's method of charging were held to be without foundation. Charges had been made in full compliance with all the applicable provisions of the Public Service Law and the order of the commission.

The court took up the question whether the provision might have been for an illegal penalty instead of a discount for prompt payment. The customer had impliedly admitted that duly sanctioned rates could, legally, provide a discount for prompt payment of a bill rendered. The schedule provided that a bill is due when rendered, but the court said this did not mean that the periodic charge is due and demanded as payable on the rendition of the bill. All the pertinent provisions of the schedules, when considered together, clearly showed that the charge was for the given quantity of gas or electricity at the gross rates, but if the bill was paid within ten days it might be at the lesser stated net rate. *Central Hudson Gas & Electric Corp. v. Napoletano (101 NYS2d 57).*

Company Entitled to Notice on Appeal from Order

SERVICE of notice on the commission, according to the North Carolina Supreme Court, is not sufficient to perfect an appeal from a rate order involving a company which started the proceeding before the commission. Proper notice must also be served upon the company.

A power company had applied to the commission for permission to add a coal clause to its rate schedule. An industrial company and others had appeared and opposed the proposal. The commission authorized the coal clause and the industrial company sought a court review.

A notice of the appeal was properly served upon the commission but the notice was mailed to the utility company without personal service as required by law. The attempted appeal was held to be ineffectual. *State ex rel. Utilities Commission v. Martel Mills Corp. (62 SE2d 80).*

Motor Carrier's Failure to Develop Service Held Grounds for Authorizing Competition

THE supreme court of Ohio affirmed a commission order granting motor carrier certificates of convenience and necessity although an existing carrier already occupied the territory sought to be served.

Upon protest of the existing carrier, the commission gave such carrier sixty days within which to expand its present operations to provide such additional service over the routes it was serving. The existing carrier filed no appeal from the final orders of the commission and did nothing to improve its service during such 60-day period, and the commission, upon finding that public convenience and necessity still existed, lawfully and reasonably granted the applications. *Commercial Motor Freight v. Public Utilities Commission, 95 NE2d 758.*

Other Important Rulings

THE Utah Supreme Court, in deciding a proceeding brought by a municipality to condemn the properties of a water company, observed that affected property owners could not use the court as a forum to overturn a commission order prohibiting any new service extensions because of the inadequacy of the water supply, their proper remedy being to seek a rehearing or appeal from the commission order. *North Salt Lake v. St. Joseph Water & Irrig. Co. 223 P2d 577.*

The Indiana commission, in approving a mutual telephone company's application for a rate increase, directed that the company's practice of providing free telephone service to members of its board of directors in lieu of directors' fees be terminated. *Re Rosedale Mutual Teleph. Co. (No. 22435).*

The Pennsylvania commission dismissed the complaint of citizens in a newly developed section of a city alleging discrimination in transit rates and services and held that a transit company's failure to provide equivalent service and rates to residents of all sections of a city, regardless of geographical location, does not constitute inadequate service or result in unreasonable and discriminatory rates of fare. *Overbrook Park Citizens' Committee v. Philadelphia Transp. Co. (Complaint Docket Nos. 14838, 14839).*

The supreme court of Alabama held that a motor carrier, restricted from transporting freight originating in one city and destined for another, could transport goods between those cities if originating at, or destined for, other points. *Murray v. Service Transport (49 So2d 221).*

The court of common pleas of Ohio held that gas masks sold by the government with the intention that title to all parts but the scrap rubber would remain in the government were properly classified as scrap rubber for freight tariff purposes and that any other view would be a strained and arbitrary interpretation. *New York C. R. Co. v. Schulman, Inc. 95 NE2d 28.*

The supreme court of South Carolina, reversing a lower court decision, held that a railroad company that closed a crossing under color of municipal authority was not liable for damages to an abutting owner where the municipality subsequently ratified such act, notwithstanding that the cause of action had commenced before ratification. *Jennings v. Charleston & W. C. R. Co. 62 SE2d 114.*

The North Carolina commission, in granting telephone rate increases, held that net investment plus allowance for working capital constituted a reasonable rate base; and the commission authorized a return of 6.50 per cent, pointing out that a return of 5.14 per cent would not be adequate. *Re Carolina Teleph. & Teleg. Co. (Docket No. P-7, Sub 4).*

The Wisconsin commission authorized a telephone company to bill, in the future, present rates which were higher than those lawfully on file where it was questionable whether even these rates would result in the company earning a return; but a refund of past overcharges was required. *Re Rusk County Rural Teleph. (2-U-3327).*

The New Jersey commission held that a railroad seeking to discontinue its entire passenger service on a branch line should, at least, submit evidence of the financial result of both passenger and freight service on the branch. *Re Pennsylvania Railroad Co. (Docket No. 4578).*

The Wisconsin commission approved a return of 6.5 per cent for a telephone company and disallowed an additional charge for handsets installed in rural territory, stating that such a charge re-

tards improvement of service and ignores the fact that handsets are now the most commonly used telephone instruments. *Re Scandinavia Teleph. Co. (2-U-3410).*

The certificate of a motor carrier of fruits and sea foods was canceled by the Pennsylvania commission, after the carrier failed to answer or appear at a hearing called by the commission to determine whether or not his certificate should be canceled, where the records indicated that he had not exercised any of the authority granted to him for several years. *Re Spina (Application Docket No. 34228, Folders 1 and 2).*

The superior court of Pennsylvania held that in grade-crossing eliminations the commission exercises the police power of the commonwealth and that compensation is not recoverable for the exercise of that power, even where actual damage is shown by a water company required to remove pipes from a highway. *Philadelphia Suburban Water Co. v. Public Utility Commission.*

The supreme court of North Dakota held that a power ballaster, because of its size, weight, power, and self-propulsion over railroad tracks, falls within the class of hazardous obstacles which, in the interest of safety, the legislature has determined must be manned by a full crew, but that the provision in the statute restricting employment of flagmen on such power ballasters to those who have had at least one year's experience in train service is arbitrary and unreasonable. *Northern Pacific Railroad Co. v. Warner, Attorney General (45 NW2d 196).*

The supreme court of New Jersey, reversing a lower court decision, held that a common carrier may properly recover from a consignee the balance of freight charges on an interstate shipment where the consignor misdescribed the goods and prepaid charges at a lower rate than that on file. This notwithstanding the consignee's refusal to accept the shipment until assured that freight charges were prepaid and notwithstanding his reliance on such representation. *Southern P. Co. v. Wheaton Brass Works, 76 A2d 890.*

Titles and Index

Preprints in This Issue of Cases to Appear in
PUBLIC UTILITIES REPORTS

TITLES

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VIRGINIA STATE CORPORATION COMMISSION

Re Old Dominion Electric Co-operative

Case No. 9555
December 12, 1950

APPLICATION *by electric co-operative for authority to borrow money and issue securities to finance electric plant and transmission lines; authority to issue securities and assume obligations or liabilities refused.*

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9. The question whether the public interest will be served by the issuance of securities by an electric co-operative to finance the acquisition of a plant to produce electricity for other co-operatives depends upon the question whether the ultimate consumers will get more abundant power at cheaper rates; and it is necessary not only to show that the electricity supplied by a distributing co-operative as the result of such plant acquisition will be the cheapest possible co-operative electricity, but it is also necessary to show that this will result in cheaper and better service than would result from the continuance of the purchase of power from an electric company, p. 136.

Rates, § 50 — Jurisdiction of Commission — Service to co-operatives — Contracts.

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APPEARANCES: Robert Whitehead, Irby Turnbull, and Bernard Gekoski, for the applicant; T. Justin Moore and Patrick A. Gibson, for Virginia Electric and Power Company, intervenor; Norman S. Elliott, counsel for the Commission.

CATTERALL, Commissioner:

[1] Old Dominion Electric Co-operative is a Virginia corporation organized and existing under and by virtue of the Electric Co-operatives Act, §§ 56–209 to 56–231 of the Code, being Chapter 9 of Title 56.

Section 56–227 says: "Any co-operative organized under this chapter shall be subject to the jurisdiction of the Commission in the same manner and to the same extent as are other similar utilities under the laws of this state."

Therefore, Old Dominion is subject to the Public Utilities Securities Law, §§ 56–55 to 56–75 of the Code, being

Chapter 3 of Title 56. Under that law, Old Dominion has filed its application for authority to borrow over $16,000,000 for the purpose of building a steam plant at Warminster in Nelson county and building or acquiring about 1,000 miles of high tension transmission lines with necessary substations. The figure of more than $16,000,000 is explained by Mr. Whitehead on page 5 of the transcript and is made up of $14,320,000 for construction, $440,000 to assume a loan already authorized for one of the member co-ops, and over $1,600,000 to purchase from various member co-ops their existing generating and transmission facilities.

Section 56–60 requires public service companies to apply to the State Corporation Commission for an order authorizing the issue of securities, and § 56–61 forbids the Commission to enter such an order if it finds that the loan "is not reasonably necessary to carry out one or more of the purposes set forth in the application." The burden of persuasion is on those who oppose the application: an application must be granted unless specific reasons for denying it are found to exist.

To enable it to determine whether to issue the order applied for, the Commission held a hearing pursuant to the last paragraph of § 56–61, which provides:

"To enable it to determine whether it will issue such order, the Commission may hold a hearing and may make such additional inquiry or investigation, and examine such witnesses, books, papers, documents, and contracts, and require the filing of such data as it may deem of assistance."

[2, 3] Virginia Electric and Power Company is a Virginia corporation organized and existing under and by virtue of §§ 56–47 to 56–54 of the Code, being Chapter 2 of Title 56. Alleging that it will be injured if the application is granted, it intervened to oppose the application. Whether it had a legal right to intervene need not be decided. Page v. Commonwealth (1931) 157 Va 325, 330, 160 SE 33. We permitted it to intervene because (1) it is the policy of the Commission in every case to hear any person who desires to be heard, and (2) we deemed that the "witnesses, books, papers, documents, and contracts" that it could produce might be of assistance within the contemplation of § 56–61. Thus, although the case presents the appearance of a contest between litigants, it is an administrative inquiry under § 56–61 rather than adversary litigation.

Section 12–57 of the Code provides:

"The Commission, on hearing of all complaints, proceedings, contests, or controversies, in which it shall be called upon to decide or render judgment in its capacity as a court of record, shall observe and administer the common and statute law rules of evidence as observed and administered by the courts of the commonwealth."

[4] In the present proceeding, the Commission is not called upon to render judgment "in its capacity as a court of record," and when it requires "the filing of such data as it may deem of assistance" under § 56–61 it is not limited to data admissible under the rules of evidence. Nevertheless, the policy of the Commission is to apply the rules of evidence in all cases so far as practicable. Accordingly, in reaching our decision we have given no weight to the testimony that was ruled

to be inadmissible during the course of the hearings.

The application was filed December 12, 1949, and referred to the engineering and accounting divisions for examination and report. After study of the technical aspects of the application, each of these divisions of the staff reported that in its opinion the plan described in the application was economically unsound. These reports were filed March 31, 1950, and copies were furnished to counsel.

Public hearings began April 24, 1950, and daily transcripts of the testimony were made. Old Dominion put on its evidence in chief for four days. The case was adjourned to enable counsel for Vepco to study the evidence. The applicant's witnesses were cross-examined on May 15th, 16th, and 17th. The third session commenced June 19th and Vepco put on its evidence in chief for five days. The case was adjourned to permit counsel for the applicant to prepare for cross-examination on July 17th, 18th, 19th, 20th, and 21st. The cross-examination continued on September 11th, 12th, and 13th. Old Dominion introduced its rebuttal evidence on September 25th and 26th. Cross-examination and surrebuttal occupied September 27th and 28th. Over 3,600 pages of testimony were given and over 200 exhibits were filed. After the conclusion of the evidence counsel were given until November 6th to file briefs and until November 20th to file reply briefs. The briefs filed contain 388 printed pages.

The Issue

[5, 6] There is only one ultimate issue before the Commission, and that is whether the loan, within the meaning of § 56–61, is "reasonably necessary to carry out one or more of the purposes set forth in the application." That it is the sole issue is demonstrated by the fact that if Old Dominion could get the money to build its plant without issuing securities it could go ahead without applying for authority under the Public Utilities Securities Law.

If it be true, as alleged by Vepco, that the Rural Electrification Administration is exceeding its authority and violating its declared policy by approving the loan to Old Dominion, that fact has no bearing on this case. The Public Utilities Securities Law deals only with the powers of the borrower and not with those of the lender. When Vepco applies to us for authority to issue securities, we do not inquire whether the investors who propose to buy the securities have the right to do so.

We must, of course, inquire into the powers of the borrower. We could not authorize Old Dominion to issue securities for the purpose of building a railroad because that would be ultra vires.

An electric co-operative can be organized in Virginia only for the following purpose (§ 56–210):

". . . for the purpose of promoting and encouraging the fullest possible use of electric energy by making electric energy available at the lowest cost consistent with sound economy and prudent management of the business of such co-operatives."

There is nothing in *this* statute that limits co-operatives to rural customers or to customers not receiving central station service. A co-operative has

substantially the same corporate powers as any other utility. The main difference between Vepco and Old Dominion under the law of Virginia results from the special definition of "reasonable and just charges for service" contained in § 56–226. Under regulation by this Commission, the "reasonable and just charges" that Vepco is permitted to charge must be so low that it can never pay off its funded debt out of its earnings. The command of § 56–226 is that charges of Old Dominion must be so high that it can pay all its debts out of earnings.

The co-ops now own and operate some small generating plants, but, for the most part, they are engaged in the business of distributing power purchased from Vepco. In the present application they propose to build a 30,000 kilowatt steam generating plant. To that end, eleven of the co-operatives have organized the Old Dominion Electric Co-operative. The proposal is for Old Dominion to build a steam plant at Warminster, to purchase the generating and transmission facilities now owned by the eleven co-ops, and to build the necessary additional high tension transmission lines and substations. The United States government is building a hydroelectric plant at Buggs Island. That plant and the steam plant would furnish the power needed by the eleven co-operatives to serve their customers and they would cut loose from Vepco.

The cost to Old Dominion will be around $16,000,000 and the Rural Electrification Administration has agreed to lend it the money at 2 per cent interest repayable in thirty-five years. The foregoing are "the purposes set forth in the application," and § 56–61 says that this Commission must grant the authority applied for unless it finds that the loan is not "reasonably necessary to carry out one or more of the purposes set forth in the application."

[7] Counsel for Old Dominion argue that the only question for the Commission to decide is whether or not $16,000,000 is needed to acquire the structures described in the application, and that, since the purposes set forth in the application cannot be carried out without borrowing the money from REA, the application should be granted without further inquiry. Under that interpretation of the statute the only issue before the Commission would be whether the *amount* of $16,000,000 is reasonably necessary. Since that amount obviously is necessary, it would lighten our labors if that were the correct interpretation of the statute.

In our opinion that is not what the statute means. The Public Utilities Securities Law was passed in 1934 and the purposes of the law as well as its language show that the words "reasonably necessary" mean not merely that the *amount* of money sought through the issuance of securities must be necessary to acquire the proposed structures but also that the proposed structures themselves must be reasonably necessary for the accomplishment of some purpose having to do with the obligations of the utility to the public and its ability to carry out those obligations with the greatest possible efficiency.

The 1934 statute is concerned only with the issuance of securities and its purpose is to prevent public service

companies from issuing securities to an extent or in a manner or for a purpose contrary to the public interest. There is a public interest in the issuance of securities by a public utility. This public interest is declared to exist in Code § 56–56 as follows:

"The power of public service companies to issue stocks and stock certificates or other evidences of interest or ownership, and bonds, notes, and other evidences of indebtedness and to create liens on their property situated within this state is a special privilege, the right of supervision, regulation, restriction, and control of which is and shall continue to be vested in the state; and such power shall be exercised as provided by law and under such rules and regulations as the Commission may prescribe."

The public welfare is involved in the issuance of such securities for the following reasons:

1. A public utility furnishes vitally necessary service to the public.

2. Since it has a monopoly in the area it serves, the consumers have to pay the rates demanded or go without the service.

3. Under the Constitution and laws a public utility is entitled to charge rates high enough to give it a fair return on the money it has invested.

Therefore, the state requires that the money invested by a utility in property devoted to the public use be prudently invested; and the act of 1934, like the laws of the other states, requires a utility to obtain authority from a regulatory body before issuing securities.

Since the policy of the statute is to see that public utilities are financed in so prudent a manner that they will not have to charge their customers unduly high rates in order to discharge the financial obligations assumed, it would defeat the purpose of the law if the final decision to issue the securities were made by the utility with no supervision by the Commission. If the utility, by deciding to build a $16,000,000 plant automatically had the right to borrow $16,000,000, there would be no function for the State Corporation Commission to perform except solemnly to record the fact that $16,000,000 would be reasonably necessary to build a $16,000,000 plant. The general assembly, in passing the statute, could not, in our opinion, have intended that result, because it would appear to be very much better to have no statute at all than to have one that produced only that result.

Every year since 1934 the Commission has issued numerous orders under the Public Utilities Securities Law, and before entering each order authorizing the issuance of securities, has considered and decided that the issuance thereof would not be contrary to the public interest. Mr. Frank S. Givens, assistant engineer of the State Corporation Commission, examined over 200 orders of the Commission relating to the issuance of securities by electric co-operatives and found that 25 of them contained express language to the effect that the purposes for which the securities were to be issued "are in accordance with the charter powers of the applicant and do not seem detrimental or contrary to the public interest." The foregoing proviso was incorporated by reference in 140 of the orders examined, and, of course, the failure to include that express language in an order does not

mean that the public interest was ignored.

Evidence that the general assembly meant for the Commission to consider the public interest and not merely the question of whether the amount of money sought was necessary to acquire the proposed plant is found in the following provision of § 56–61:

"The Commission may by its order grant permission for any such issuance or assumption in the amount or on the terms applied for, or in a less amount, or on different terms, or not at all, and may include in its order such terms and conditions fairly relating to the matter of such issuance or assumption as it may deem reasonable or necessary."

The quoted language gives the Commission authority it could not usefully exercise if its only function were to pass on the amount of money needed to acquire the plant and not on whether the plant itself was reasonably necessary to perform the public duties of the public utility.

The general assembly, in enacting the Public Utilities Securities Law, considered that the Commission's order authorizing the issuance of securities was a "certificate of public convenience." In § 56–65, referring to the provisions of the law relating to orders authorizing the issuance of securities, the statute speaks of them as: "the aforesaid mentioned provisions with regard to certificates of public convenience and applications therefor . . ." This language can only mean that the public convenience is to be considered.

The Massachusetts statute on the issuance of securities by public utilities uses the expression "reasonably necessary" in much the same way that the Virginia statute does. The court, construing that expression in Lowell Gas Light Co. v. Department of Public Utilities (1946) 319 Mass 46, 62 PUR NS 238, 242, 243, 64 NE2d 640, said:

"Indeed, it would seem that if the public is to be effectively guarded against the evils of overcapitalization, control cannot end with decisions merely that the amounts sought to be issued are reasonably necessary to be expended for the purposes intended, but must go farther and determine whether the purposes themselves are reasonably necessary. Overcapitalization can be brought about by issuing securities for purposes that are not reasonably necessary.

. . .

"Since the cases just cited show that the words 'reasonably necessary' are not employed solely with reference to the amount of a proposed issue but refer also to the necessity of the issue itself, it follows inevitably that the Department must inquire whether the declared purpose of the proposed issue is in fact in the circumstances a reasonably necessary purpose. And having in mind that the function of the Department is the protection of public interests and not the promotion of private interests, we think that 'reasonably necessary' means reasonably necessary for the accomplishment of some purpose having to do with the obligations of the company to the public and its ability to carry out those obligations with the greatest possible efficiency."

[8, 9] When we speak of the public interest in connection with the issuance of securities by a public utility we have

in mind the welfare of that part of the public that is served by the utility. It is true that investors in public utility securities receive benefits from the public regulation of the issuance of such securities. The state wants public utility stocks and bonds to be sound investments so that they can be floated at low rates of interest and moderate dividend rates. But the investors are only incidentally the beneficiaries of this public policy. The state is interested in the soundness of utility securities because the sounder they are the lower the interest and dividend rates that they have to pay, and the financial saving from low interest and dividend rates results in a lowering of the rates the public has to pay for the service. Also the state is concerned with the solvency of public service companies, not because a stockholder in such a company who loses his money is worse off than a stockholder who loses his money in a grocery business, but because the effect on the public from the failure of a public service company is more calamitous than the effect from the failure of a grocery store. Thus do all the policies involved in the governmental regulation of public utility stock and bond issues merge in the one dominant policy of securing for the ultimate consumers the most efficient possible service at the lowest possible rates. The real parties in interest here are the people who buy electric energy from the eleven member co-ops. The money to build the steam plant and transmission lines comes out of their pockets. The money that Old Dominion spends is, of course, money that Old Dominion owns. After spending it, Old Dominion has to earn enough from the sale of energy to the co-ops to pay it back to REA, and the co-ops have to earn enough from sales to the public to pay the charges of Old Dominion. The ultimate consumers necessarily bear the whole financial burden. The true intent of the Public Utilities Securities Law is to impose on this Commission the duty of so regulating the issuance of securities of public service companies that the members of the public who pay the bills will get their money's worth.

Counsel for Old Dominion insist that we have no right to compare Old Dominion rates with Vepco rates. They say that the consumers are entitled to the cheapest possible *Old Dominion* electricity. *They deny that the consumers are entitled to the cheapest possible electricity.* Thus, at page 17 of their brief, they say:

"The most that need be shown in this proceeding, therefore, is that the electric energy supplied *by Old Dominion* will be made available at the lowest cost consistent with sound economy and prudent management of the business *of Old Dominion.* This consideration has nothing to do with the question of whether the *members or consumers* of Old Dominion will be obtaining energy at the lowest cost possible from any other source."

We have not looked at the case in that light. Old Dominion was created by the eleven member co-operatives as a means to the end of acquiring for their consumers more abundant power at cheaper rates. We do not ignore the corporate entity of Old Dominion; but we do treat it is an instrumentality of its members. In considering the public interest in the field of public utility regulation, the thing that counts is what the ultimate consumers get and

not the corporate structure through which which they get it. Regardless of the form of the transaction, the crucial question is whether the eleven member co-ops can furnish their customers cheaper and better service through the instrumentality of Old Dominion than they can by continuing to purchase power from Vepco.

We disagree with the above quotation from counsels' brief and agree with the following quotations from it. At page 24, they say: ". . . the present application has been filed by a federated co-operative composed of the distribution co-operatives, which have banded together in order to achieve a more economical and efficient solution to their power problems."

At page 28, they say: ". . . the present application . . . represents a decision by a group of co-operatives, under appropriate corporate organization, to serve themselves and their members . . ."

At page 165, they say: "However, from the standpoint of the certainty that the policies of Old Dominion will be determined by, and will always be in the interest of, its members, it may well be said that 'Old Dominion in this proceeding *is* its members.' Old Dominion is composed of its member co-operatives, in the same way that each member co-operative is composed of *its* individual farm and rural consumer-members. It will be owned and operated by these 50,000 to 80,000 rural families, in their own interest, and for the purpose of assuring to themselves a continuing supply of adequate, dependable power at the lowest possible cost."

If the member co-ops will not get better or cheaper service from Old Dominion than they could get elsewhere, the purposes for which they banded together will not be accomplished.

With the applicable statutes thus construed, it becomes apparent that the decision must turn on the answers to two questions of fact:

1. Will the money borrowed and spent by Old Dominion produce cheaper electricity?

2. Will it produce better service?

Findings of Fact

The money to be spent by Old Dominion will not produce cheaper electricity.

[10] Vepco has about 500,000 customers and the eleven co-ops have about 55,000; but the co-ops consume less than 3 per cent of the power generated by Vepco. The present rate charged by Vepco to the co-ops is one cent per kilowatt hour. That rate is based on contracts negotiated between Vepco and the co-ops: under the law existing when the contracts were entered into the rate was not subject to the jurisdiction of this Commission. Commencing July 1, 1950, the rate charged by Vepco to the co-ops is subject to the jurisdiction of this Commission by virtue of acts of 1950, page 54, if, but only if, Vepco and the co-ops, by voluntary agreement, terminate their existing contracts or their existing contracts expire.

[11] On April 17, 1950, in an unsuccessful effort to renegotiate the existing contracts, Vepco offered to charge the co-ops three-quarters of a cent per kilowatt hour if the co-ops would sign up for five to ten years. Since the co-ops had already agreed to purchase their power from Old Do-

minion for thirty-five years beginning in 1953 they could not accept Vepco's proposed contract without terminating their contract with Old Dominion.

The applicant asked during the course of the hearings whether Vepco's proposed 7.5-mill rate is so low as to be illegal. In our opinion, it is not so low as to be illegal. A utility may properly charge different rates to different classes of consumers and it is proper to put electric co-operatives in a class by themselves. They are nonprofit membership corporations organized under the Electric Co-operatives Act which was passed by the general assembly for the purpose of encouraging the distribution of the blessings of electrical energy as widely as possible among the people of Virginia. The public policy of the state is to help the co-operatives to succeed, and granting them the lowest possible rates for power is not only permissible but a necessary means to that end. No public utility earns the same rate of return on every class of service that it renders. The Class I railroads of the United States, for example, lost $559,782,240 on their passenger service in 1948. The policy of Vepco for many years, approved by this Commission, has been to charge consumers out in the country the same rate for energy that is charged consumers of the same class in the heart of the city. Rates as low as 7½ mills to co-operatives have long been effective in other states and we see no reason why Virginia co-operative consumers should not receive correspondingly favorable treatment.

Mr. Edward Falck, a witness for the power company, was rate engineer for TVA in 1933 and 1934. He testified that he developed the TVA rate for co-operatives and that the rate is about half a cent per kilowatt hour. He testified:

"I might say, applying that yardstick here, the TVA rate, the 7½-mill rate of Vepco to the co-operatives would be in line, taking into account fuel costs and taxes and other conditions."

In support of the proposed 7½-mill rate, he testified:

"I feel certain from my general knowledge of power company cost behavior and from studies I have made of Vepco's operations that the Virginia Electric and Power Company will not sustain any out-of-pocket loss in carrying through this proposed sale of power at 7.5 mills to the rural co-operatives.

. . .

"There are a great number of electric utility rates to co-operatives in other states that are lower than the Vepco 7.5-mill rate and some that are higher. The 11th Annual Report of 'Energy Purchased by REA Borrowers' for the fiscal year ended June 30, 1949, and published by the Rural Electrification Administration shows what these rates are. The average wholesale cost of power purchased from all suppliers for the fiscal year ended June 30, 1949, was 8.9 mills per kilowatt hour.

"*Q*. That is from all suppliers, TVA, municipal plants, and everywhere?

"*A*. Subject to check, yes, sir. I think that it is all but I would like to check it.

"*Q*. All right, sir, proceed.

"*A*. The average cost per kilowatt

hour purchased from power company suppliers was as follows for other southern states:

Mississippi	6.4 mills
Alabama	7.4 mills
Georgia	7.0 mills
South Carolina	7.6 mills
North Carolina	9.4 mills
West Virginia	9.0 mills
Kentucky	10.8 mills

"I know of my own personal knowledge that the rates of Georgia, Alabama, and South Carolina have been reduced since the later publication of this report."

Mr. Falck testified in detail to the facts supporting his opinion that Vepco would not suffer an out-of-pocket loss on the proposed 7½-mill rate. We are satisfied that his conclusion is correct. Certainly, in view of the evidence it has introduced in this case, Vepco will not be permitted by this Commission to depart from the 7½-mill rate (which it has already legally filed under the law effective July 1, 1950) unless and until changes in the general price and wage levels compel changes in all rates.

Throughout most of the hearings the applicant took the position that the 7½-mill rate was or might be illegally low. See, for example, page 2966 where Mr. Gekoski said:

"We except to the Commission's ruling, of course, and I am sure the Commission understands that this request was not an attempt to get around any prior ruling of the Commission but an expression of a purpose, if it should be possible, of getting some indication from the company that these proposed offers really will be feasible and will not represent a loss to the company and will not be discriminatory, not only in 1949 or 1950 but for some time in the future. If it isn't possible to give us that sort of assurance, then the record will show that."

But thereafter Mr. Whitehead called to the stand Thomas B. Dunphy, rate engineer for the Rural Electrification Administration who testified:

"On the basis of a general consideration of the factors involved, I do feel reasonably sure that Vepco could justifiably offer a lower rate than 7½ mills. A good many of the basic reasons for this conclusion are already set forth in Exhibit 171, introduced by Mr. Barnes—that is, the booklet issued by REA in 1938, entitled 'Why Rural Electrification Co-operatives are Entitled to Special Wholesale Rates for Electric Energy.' Since there have been some implications in the course of this proceeding that REA may consider the proposed 7½-mill rate discriminatory or unjustified, I should like to state that this is not the case. REA's position with respect to rates to co-operatives is still as stated in Exhibit 171. I hope that all of the power companies will study this booklet thoroughly, and act upon its recommendations."

In considering whether the co-ops will save money by building the proposed plant, we find as facts (1) that the co-ops can now purchase from Vepco current at 7½ mills, (2) that that rate will be available to them until changes in wage and price levels compel changes in all rates, and (3) that changes in wage and price levels sufficient to cause an increase in Vepco's rate would necessarily cause an increase in Old Dominion's costs.

In comparing what the co-ops will have to pay Old Dominion with what

they will have to pay Vepco for current, the fact that wages and prices a generation hence cannot be predicted does not change the picture, because the same changes that affect Vepco's costs will affect Old Dominion's costs.

Since Old Dominion proposes to sell current at cost, we must determine what it would cost Old Dominion to furnish current. With its application, Old Dominion filed estimates showing what the cost of the proposed steam-generating plant and transmission lines would be. The accuracy of those estimates was attacked but not shaken by Vepco. We accordingly find as a fact that those estimates were substantially correct at the time they were made. Since that time, however, costs have gone up.

Old Dominion has introduced evidence of what it would cost to operate the proposed plant. Those estimates have been attacked and somewhat shaken by Vepco. It appears to us that Old Dominion has underestimated the number of employees needed to operate the plant and the wages it will have to pay them.

A difficult problem involved in the financing of electric co-operatives results from the statutory requirement that they maintain "reasonable reserves and funds for making replacements." An ordinary power company sets up, under the uniform system of accounts, an ordinary depreciation reserve. Such a company is capitalized partly by bonds and partly by stock. It is not permitted to charge rates high enough to produce sufficient earnings to attract equity capital and to pay off its bonds. But corporations organized under the Electric Co-operatives Act are required by § 56–226 to charge rates high enough to produce sufficient earnings to pay off their bonds. On the other hand, § 56–226 does not require co-ops to set up the ordinary depreciation reserve. Instead, § 56–226 says on this point:

"Reasonable and just charges for service within the meaning of this section shall be such charges as shall produce sufficient revenue to pay all legal and other necessary expense incident to the operation of the system, to include . . . , as well as reasonable reserves and funds for making . . . replacements. . . . Any rate too low to meet the foregoing requirements shall be unlawful."

A depreciation reserve or fund is built up by annual debits to expense and credits to the reserve. By that means the consumers pay for the property consumed in their service and the company gets back the original cost of the property. The amount of the reserve may or may not be enough to replace the property consumed in the service, because, when the time comes to replace it, it will probably be replaced with improved property that may cost more or less than the original property. The statutory requirement of a replacement reserve instead of a depreciation reserve can only mean that the annual credits to the reserve must be the amounts necessary to replace the property when it is replaced.

Hence, a co-op must earn enough to pay its debts and create a reserve sufficient to replace its property. Since we cannot know in advance what the replacement costs are going to be, the replacement reserve has to be set up on a tentative basis. We start off by assuming that replacement costs will be

the same as original costs. If we have inflation, the replacement costs will be higher and if we have deflation they will be lower. This means that, as the years go by, the amount of the annual credits to the reserve will have to be adjusted to keep pace with changing costs. A depreciation reserve is based on known past costs, but a replacement reserve is based on unknown future costs. About the only thing we can be certain of is that, in order to earn enough to pay its debts *and* replace its property, a co-op, at least so long as it is heavily in debt, will have to earn *more* than the orthodox depreciation rate. Therefore, the co-ops are required to and do keep their books in the same manner as other utilities and set up a depreciation reserve as required by the uniform system of accounts. That depreciation reserve is the absolute minimum so long as the co-op is deeply in debt.

Mr. Treadway, the engineer employed by Old Dominion to design its system, estimated, on the basis of the best available data, that the correct composite annual charge for depreciation for Old Dominion is 2.67 per cent.

A co-op like Old Dominion that does not earn annually all its other expenses plus 2.67 per cent of the original cost of its depreciable property is losing money; and if it earns more than that is considered to be making a profit or "margin." Out of that 2.67 per cent *plus* the profit margin, the co-op must replace its property *and* pay its debts.

Dr. Person was one of the principal witnesses for Old Dominion. He estimated that the replacement rate for the first thirty-five years would be 0.65 per cent. That would leave 2.02 per cent of the annual depreciation rate of 2.67 per cent available for the discharge of indebtedness. At Dr. Person's rate of 0.65 per cent it would take Old Dominion nearly 160 years to get back its original cost. A depreciation rate of 2.67 per cent assumes an average composite life of the property of thirty-seven and one-half years. What Dr. Person has done is to compute the amount of money that will be spent on replacements each year for thirty-five years, leaving out of consideration the amounts that must be placed in a reserve to take care of the property that is not replaced during those years but is quietly depreciating during those years. When the statute calls for a replacement *"reserve"* it means the setting aside of proper amounts for future replacements as well as the expenditure of money for current replacements. So far as the statute is concerned, the due date of the loan is not significant, but the reserve must be based on the expected life of the property.

Dr. Person assumes that the replacements actually made by power companies are for the most part really unnecessary. We are unwilling to accept as a fact that the businessmen who manage America's power companies make replacements that are not needed to improve service or reduce costs. And there can be no doubt that the Electric Co-operatives Act, in speaking of replacements, means replacements that are needed to improve service and reduce costs, as well as replacements that are absolutely essential to replace parts that are completely worn out.

Even with a replacement rate of only 0.65 per cent per annum, Dr. Person's calculations demonstrate that the co-

ops will have to pay more for their current if they buy it from Old Dominion than if they buy it from Vepco. He calculates the cost of current to the co-ops at 10.36 mills for 1953, 10 mills for 1954 to 1958, and 10.8 mills thereafter. Since Old Dominion proposes to deliver on the low-tension side of the substations and Vepco proposes to deliver on the high side, the cost to the co-ops of getting the current through the substations must be added to the Vepco rate before it is compared with the Old Dominion rate. After giving effect to that cost and to the fact that Old Dominion would purchase the member co-ops' generating and transmission facilities, the cost of Vepco current at the points where Old Dominion proposes to deliver its current would be about 8½ mills instead of 7½. If the co-ops purchase power from Vepco at the newly filed rate of 7½ mills they will save 25 per cent on their present bills. If they purchase from Vepco after 1953 instead of from Old Dominion they will save about 20 per cent on their future bills. When these savings are translated into dollars they add up to a large sum.

Mr. T. Coleman Andrews calculated the amount of money the co-ops would save if they bought power from Vepco at 7½ mills instead of going ahead with Old Dominion. Rejecting only two of Dr. Person's figures in Exhibit 38, Andrews used $174,286 for average annual replacements instead of $95,000 and $98,000 as used by Dr. Person. This contrasts with the figures of $389,433 and $401,297 ascertained by Mr. Treadway as the orthodox depreciation figures. Andrews assumes that the statutory "replacement" charges will be less than half the depreciation charges and that the major part of the depreciation reserve can be used to pay off the loan. Like Dr. Person, he limits his consideration to the amounts needed for actual replacements for thirty-five years.

At page 1574 Andrews points out that Dr. Person's replacement charges total $3,415,000 and his total $6,100,000 for the 35-year period of the loan. The period of the loan is related to the amount of money to be *spent* on replacements during that period, of course; but is irrelevant to the problem of determining what will be needed as a reserve to replace the entire plant when the entire plant has to be replaced.

Dr. Person's figure for debt service over the 35-year period is $23,596,907, and Andrews' figure is $1,300,000 less. The debt service is, of course, controlled by the life of the loan. Dr. Person's figure is more nearly correct than Andrews', because it assumes that Old Dominion will take advantage of the initial grace period.

Andrews next assumes that Dr. Person's prediction of the number of customers the co-ops will have and the amount of current they will use is correct. On those assumptions, it appears that the average cost to Old Dominion for the first five years of operation would be 11.3 mills per kilowatt hour. Thereafter, it would be 10.5 mills per kilowatt hour.

It thus appears that if the co-ops purchase power from Vepco instead of from Old Dominion they will save about one-fifth of a cent per kilowatt hour. Dr. Person predicts that the co-op customers will consume nearly 10 billion kilowatt hours in thirty-five

years. Ten billion times one-fifth of a cent is $20,000,000. This simple arithmetic is all that is needed to bring out the material fact. Mr. Andrews, in Exhibit 161, has computed the savings year by year beginning with 1951 and finds that the co-ops would save $21,426,684. Andrews points out that if the co-ops invested these savings in 2 per cent bonds each year, they would earn $9,692,784 by way of interest in thirty-five years. Or if they applied the savings annually to the principal of their own notes held by REA the saving in interest paid by the co-ops would be the same amount.

Of course, at the end of the 35-year period Old Dominion would own the steam plant and the transmission lines. On the basis of Old Dominion's proposed replacement schedule, the plant would not be in the best condition and the really big replacements would be about due. Dr. Person testified:

"No, we are not saying anything about what the replacement rate after the thirty-five years would be. We have made no predictions on that score."

At the end of thirty-five years, the Old Dominion plant would be within two and a half years of the 37½-year composite life expectancy contemplated by the 2.67 per cent depreciation rate; but Old Dominion expects to spend only $3,415,000 on replacements during the thirty-five years. We cannot know what the exact value of the plant will be in 1987, but we can safely say that it will be considerably less than $9,692,784 if only $3,415,000 has been spent on replacements.

In the computations we have been discussing, the only figures in dispute between Andrews and Person are the figures for debt service and for replacements. If Dr. Person's figures are accepted for both of those items, the total savings over the life of the loan would be reduced by about $1,400,000, and the picture would look about like this:

Savings on purchase of current ...	$21,426,684
Interest earned or saved	9,692,784
Gross savings	$31,119,468
Less value of plant in 1987	9,692,784
Net savings according to Andrews	$21,426,684
Less difference between Andrews & Person	1,400,000
Net minimum savings	$20,026,684

We accordingly find as a fact that the co-ops will save at least $20,000,000 if they buy from Vepco instead of from Old Dominion. We believe they will save substantially more. *In making this finding of fact, we assume in the applicant's favor every important debatable fact bearing on the cost of power.* We assume that the steam plant and transmission lines will cost exactly what their engineers estimate they will cost. We assume that prices of electrical equipment have not risen since Korea was invaded and that prices will not rise next year. We assume that Old Dominion's plant can be operated with the number of workers estimated by Old Dominion and that those workers will not ask for higher wages. We assume that the Old Dominion member co-ops will have 80,000 customers in 1958, and that those customers will use all the power that Old Dominion expects them to use. And we assume that Old Dominion could purchase Buggs Island power in the amounts and at the prices set forth in the "Memorandum of Understanding." If any one

of these assumptions is erroneous, the savings will be greater.

On pages 68 to 86 of their brief counsel for the applicant advance six reasons for urging that the savings will be less. They are not satisfied to have us assume in their favor all the issues of fact mentioned in the foregoing paragraph, but invite us to assume that their case is stronger than their evidence.

1. They say they will have more than 80,000 consumers in 1958. Dr. Lorin A. Thompson, director of the Bureau of Population and Economic Research at the University of Virginia, presented elaborate studies in support of his opinion that the number of consumers would be nearer 66,000. We think the number will turn out to be somewhere between the two figures. We believe the number will be nearer Dr. Person's estimate than Dr. Thompson's; but we are not persuaded that it will exceed 80,000.

2. They say that each consumer will use more electricity than Dr. Person predicted. Within wide limits, the more kilowatt hours they use the more fifths of a cent they will save. Mr. Treadway designed the plant to take care of the load estimated by Dr. Person. If Dr. Person seriously underestimated the load, the plan will be inadequate, and the additional costs resulting from inadequacy will be large.

3. They say that revenues will increase faster than expenses. It appears to us that this feature of the case has been fully covered in the applicant's evidence. It was certainly given all the weight it could bear in Dr. Person's explanation of why it is right and proper for a co-op to lose money during the first eight or ten years of its *weighted* age.

4. They say that the cost of power from Buggs Island will be less than the cost estimated in the Memorandum of Understanding. The sale of power from Buggs Island is controlled by Mr. Ben W. Creim, administrator of the Southeastern Power Administration, who testified that he approved the memorandum, and made it clear that he favors approval of the present application. The detailed provisions of the Memorandum of Understanding are so favorable to Old Dominion and so hard on other potential purchasers of Buggs Island power as to make it questionable whether they can be carried out. (It is not a binding contract.) We have assumed for the purposes of this case that those very favorable provisions will be carried out. We cannot go further and infer that Mr. Creim did not make the memorandum as favorable as he could.

5. They say new government plants in the area will reduce the cost of power. Congress has not even appropriated money for the plants they have in mind. The construction of such plants is so far in the future and the ultimate cost of constructing them is so highly speculative that no present estimate of their effect on the cost of power is possible.

6. They say costs will be reduced by interconnections with Vepco and Southeastern Power Administration. Connections with Vepco would improve the service but would not reduce costs below their present level: the co-ops are already connected with Vepco. Connections with Southeastern Power Administration now mean connections with Buggs Island, and

the cost of electricity from Buggs Island has already been given full effect in the Person and Andrews computations.

After giving the most serious consideration to these six arguments we remain convinced that the co-op consumers will save more than $20,000,000 if they use Vepco power instead of Old Dominion power.

This estimate of a saving of more than $20,000,000 is based on the proof that Vepco power will be about one-fifth of a cent per kilowatt hour cheaper than Old Dominion power. Counsel for the applicant, however, assert that Vepco power will, at most, be only 1.17 mills per kilowatt hour cheaper. At page 182 of their brief they say:

"The average cost of Old Dominion power after 1958, without allowance for debt retirement, was estimated at 9.62 mills per kilowatt hour, *or 1.17 mills higher than the supposed Vepco rate as of 1958.*

"Thus, the statement of Vepco's counsel that 'the Vepco power will represent a savings of more than one mill per kilowatt hour to the member cooperatives,' would be substantially correct, if no other figures than those referred to in this section were involved, and if it could be assumed that Vepco's 7½-mill rate would still be in effect in 1958. Mr. Falck's estimate of an average saving of 1½ mills is an exaggeration, even with all of these qualifications.

"It should be clearly understood, therefore, that *Vepco itself grants that the calculated difference in cost of power between the proposals is only somewhere between one and 1½ mills.* As we have just noted, if the figures on both sides are taken at face value the difference appears to be *1.17 mills* per kilowatt hour."

Thus do counsel assert not only that Old Dominion power would cost only 1.17 mills more than Vepco power, but also that Vepco admits it. Both assertions are incorrect, as will appear from a critical examination of the quoted passage:

1. As the quotation itself expressly states, the saving of 1.17 mills is arrived at "without allowance for debt retirement." The allowance for debt retirement, as stated by Dr. Person on page 396 of the transcript, is 1.18 mills. Therefore, the average cost of Old Dominion power after 1958 is 1.17 mills plus 1.18 mills, or 2.35 mills, higher than the proposed Vepco rate. Obviously, the cost of debt retirement is part of the cost of Old Dominion power that must be paid by the consumers.

This saving of 2.35 mills is also shown by comparing figures on page 181 of Old Dominion's brief with figures on page 182. At page 181, it is said:

"Old Dominion has estimated that its billed rates to its member co-operatives would be 10.36 mills per kilowatt hour in 1953, 10 mills from 1954 through 1958, and 10.8 mills from 1959 to 1987."

At page 182:

"Using Vepco's own figures in 'Exhibit A' as a basis, Mr. Treadway calculated that the actual cost of power to the co-operatives under the Vepco offer would average 9.3 mills in 1950, 8.77 mills in 1953, and 8.45 mills in 1958."

Now, if we subtract the Vepco rate of 8.45 from the Old Dominion rate

of 10.8 we get a saving of 2.35 mills per kilowatt hour, which is more than one-fifth of a cent per kilowatt hour.

2. The quotation under consideration contains the assertion:

"Mr. Falck's estimate of an average saving of 1½ mills is an exaggeration . . ."

Page 1622 of the transcript contains a statement by Falck that the co-ops would save 1½ mills per kilowatt hour by purchasing power from Virginia Electric and Power Company. Just what he had in mind at that point in his testimony is not clear from the context; but at page 1623 he clearly said:

". . . the difference between the Vepco rate of about 8½ mills and Dr. Person's rate that includes debt retirement of 10.8 mills. This difference would amount to 2.3 mills per kilowatt hour or some $650,000 per year."

3. The quotation under consideration contains the assertion:

"It should be clearly understood, therefore, that *Vepco itself grants that the calculated difference in cost of power between the proposals is only somewhere between one and 1½ mills.*"

Nothing in the record tends to support this assertion. Certainly the language quoted from Vepco's counsel's statement on page 612 does not support it. That statement was part of a hypothetical question addressed to Dr. Person on cross-examination, and the next question (on page 613) begins: "If there is a saving of at least one mill, which I am assuming just for a minimum, . . ."

Mr. Moore did not state as a declaration of fact: "the Vepco power will represent a savings of more than one mill." What he said was:

"Doctor, if it appears to be clear that the Vepco power will represent a savings of more than one mill per kilowatt hour to the member co-operatives, will you give any reason why the Federal government should be concerned or should press the member co-operatives to go ahead with Old Dominion?"

No lawyer or witness for the intervenor has expressed the opinion that the savings would be less than one-fifth of a cent per kilowatt hour or less than $20,000,000 over a period of thirty-five years.

The saving of $20,000,000 by the co-ops would be decidedly in the public interest. Exhibit 159 summarizes in tabular form the financial statements filed by the eleven member co-ops with the State Corporation Commission as of December 31, 1949. Only two of them, Mecklenburg and Virginia, are in the black. The others have failed to earn operating expenses (counting orthodox depreciation as an operating expense) by the following amounts:

B. A. R. C.	$90,012
Central Virginia	30,931
Community	44,558
Craig-Botetourt	42,856
Northern Neck	6,262
Northern Piedmont	72,233
Prince George	48,045
Shenandoah Valley	98,622
Southside	361,808
Total	$795,327

Dr. Person is not disturbed by these figures; but we are. *They tend to show that the co-operatives' rates are illegally low in spite of the fact that they are, in general, higher to farmers than the rates charged by Vepco and Appalachian.* Some of the member co-ops will have to raise their rates if they cannot get cheaper power, and, in our opinion, the public interest, by

which we mean the interest of the part of the public that depends on them for electricity, requires that they get power as cheaply as possible.

After considering the financial aspects of the case, counsel for the applicant, beginning at page 205 of their brief, throw into the scales certain intangible values that cannot be measured in dollars, cents, and mills.

"What," they ask, "is it worth to be a man?" and they discuss the importance to a man of being independent. If the co-ops build the Warminster plant they will be mortgaged up to the hilt to REA; a man or a co-operative heavily burdened with debt is not independent. They will also be dependent on Mr. Creim, who seems to have almost unlimited authority to turn the power on and off at Buggs Island. In addition, they insist that the position of Old Dominion will be improved if it can depend on Vepco for interconnections.

Then, at page 209, they say: ". . . surely the hopes and wishes of these consumers should be taken into account in determining whether approval of this application would be in the public interest.

"These consumers are overwhelmingly of the opinion that such approval *would* be in their interest. These men know what the score is."

The score is that Old Dominion power would cost the consumers at least $20,000,000 more than Vepco power. If they fully understood that was the score, would a majority of the consumers vote to saddle themselves with that much additional expense over a period of thirty-five years? It seems unlikely.

Old Dominion would not give better service than Vepco

At page 3328 of the transcript, Mr. Dunphy, in answer to the question: "Would you, in your capacity as assistant head of the Power Procurement Section of REA, recommend this loan if it were up for consideration at the present time?" said:

"I certainly would, without hesitation, on the basis of the policy which the administrator has laid down with respect to generating and transmission loans, and which has been quoted, but not always properly interpreted, in this proceeding. This policy states that REA loans to finance initial construction of generating and transmission facilities will only be made under the following conditions:

" 'a. Where no adequate and dependable source of power is available in the area to meet the borrower's needs, or

" 'b. Where the rates offered by existing power sources would result in a higher cost of power to the borrowers than the cost from facilities financed by REA.'

"It will be noted, first of all, that the word connecting the two paragraphs is not 'and,' but 'or.' In other words, the administrator has clearly indicated that either lack of an adequate power supply, or higher cost of power, is sufficient ground for approving a loan to enable borrowers to construct their own generating and transmission systems. It seems to me that this is entirely proper, and that, as a matter of fact, the first condition is even more important than the second. A borrower may manage to get along and provide proper service to its members even

if the rates which it pays to a power supplier are somewhat higher than the cost of furnishing its own power. But a borrower which cannot count upon an adequate amount of dependable power is not going to be able to meet the requirements of its members. Therefore, my chief reason for recommending this loan, even in the face of Vepco's proposed 7½-mill contract, is that I don't believe that the co-operatives could count on Vepco for 'an adequate and dependable source of power . . . to meet the borrower's needs.'"

The failure of an electric power system to furnish power is almost as calamitous as the failure of a water system to furnish water; and many pages of the record testify to the frequent "outages" that have occurred on Vepco's lines during the past three years.

No amount of expenditure will prevent all outages. We all remember the great ice storm in January, 1943, when many sections of the city of Richmond were without current for nearly a week. It would be possible to reduce the time of outages almost indefinitely by building a completely loop-fed system and maintaining a sufficient number of repair crews on a 24-hour standby basis like a city fire department, but the cost would be prohibitive. There is a difference of opinion among experts as to how much it is worth while to spend on loops. REA first refused to let Old Dominion build as many loops as it wanted, and gave in only when Old Dominion was able to shave over a million dollars off the estimated cost of its steam plant.

The co-ops have attacked Vepco's service on two fronts: they say Vepco would not give them good service even if it could, and could not even if it wanted to.

Exhibit 77A is a graph on which the blue line represents Vepco's load and the red line represents its generating capacity. For the past five years the demand has exceeded Vepco's own capacity. Vepco has made up the difference by purchasing power from neighboring power companies. Although service to the co-ops was unsatisfactory until less than a year ago, we find from the evidence that the poor quality of the service was caused by Vepco's inability to supply the demand rather than by its unsympathetic attitude toward the co-operatives. In judging Vepco's treatment of the co-ops it should be remembered that before July 1, 1950, the State Corporation Commission had no jurisdiction over wholesale rates and services. Sales from Vepco to the co-ops were based on negotiated contracts and not on legal compulsion. So far as the law was concerned, Vepco could have charged what the traffic would bear. Instead, it gave the co-ops its minimum wholesale rate of one cent a kilowatt hour. It refused, however, to agree to give the co-ops all the power they wanted at the delivery points where they wanted it. Therefore, the officers and directors of the eleven co-ops came to the conclusion that the best way to get good service was to form the Old Dominion Co-operative. Their distrust of Vepco is shown by the circumstance that their engineer prepared the plans for Old Dominion without consulting with Vepco's engineering staff. This fact is especially significant because it is always desirable in the best interests of good service

for neighboring electric companies to be connected with each other, and the engineer employed by Old Dominion, Mr. Treadway, bases his prediction that Old Dominion will give better service *than* Vepco on the expectation that Old Dominion will be connected *with* Vepco. At page 3418 of the transcript he testified:

A. It is my opinion that with interconnections with Vepco or with the additional generating stations at Gathright and Salem Church, the Old Dominion system will provide more reliable service to the individual co-operative substations than Vepco.

. . .

Q. You stated that you and the entire co-operative group felt, during the period prior to submission of Old Dominion's application to REA, that the co-operatives didn't want Vepco to know about these activities. Is that a correct statement of what you said?

A. That is correct.

Q. Did you get an idea why they didn't want Vepco to know about these activities?

A. I don't know that it needs much analysis to understand that. Their efforts, obviously, would have been to block anything that we were trying to do and its certainly was considered necessary to the security of the project to keep what we knew among ourselves.

Since work on the proposed government dams at Gathright and Salem Church has not yet begun, it looks as if Mr. Treadway was relying mainly on interconnections with Vepco. Treadway started work on the plans for Old Dominion in March of 1948 and the application for the loan was filed in April of 1949. Not until then did Vepco learn that the co-ops were planning to generate and transmit their own power. The effect on Vepco of this discovery was so remarkable that Mr. Whitehead has repeatedly referred to it as "getting religion." Indeed, according to the observations of some witnesses, Vepco seems to have had an experience like that of Saul on the road to Damascus (Acts, IX).

C. S. Hooper, Jr., manager of Southside, testified:

"There is such a change that I would not know what to use as a comparison . . . now, they bend over backwards to do anything they can to co-operate with us."

James D. Cooke, manager of Central Virginia, testified:

"Well, it just keeps getting better all the time, Mr. Whitehead."

J. R. Allin, manager of Northern Neck, testified:

"Our co-operative has had an ample supply of power since approximately the middle of August of last year."

W. H. Brown, manager of Virginia, testified:

"Our supply of power has been good for the most part from Vepco. We did have low-voltage conditions on your system—I am sure it was that—for a time, but in the past year it has been very good."

L. E. Long, manager of Shenandoah, testified:

". . . and that is the kind of service we have been wanting for years . . . you certainly were on the ball at that time and nobody could complain about the service that you rendered at the time we needed help."

On top of this improved service came successive offers of cheaper pow-

er culminating in the 7½-mill offer of April 17, 1950. Vepco makes no secret of the fact that the 7½-mill rate was inspired solely by fear of Old Dominion. The offer of the low rate is coupled with an offer to furnish the co-ops all the power they need at convenient load centers. To reach those load centers Vepco proposes to spend $1,862,000 on transmission lines. To build transmission lines to the same load centers would cost Old Dominion $7,603,000.

Since 1947, Vepco has increased its generating capacity every year and proposes to keep on increasing it. We have no reason to doubt that Vepco will be able from now on to meet all demands on it for power. By 1952, Vepco expects to have reserves of between 13 and 19 per cent of its loads. In addition, it has contracts with neighboring power companies for help in case of need. All experience indicates that a large company with many generating plants like Vepco can give better service than a small company with few generating plants like Old Dominion.

The 1949 Federal Power Commission Glossary defines "assured system capacity" as "the dependable capacity of system facilities available for serving system load after allowance for required system reserves including the effect of emergency interchange agreements, and firm power agreements with other systems."

If one of Vepco's generating units should be out of commission for a long time, it would not keep Vepco from being able to serve its loads. If one of Old Dominion's generating units at Warminster should be out of commission for any length of time, the consequences might be serious.

We find as a fact that Vepco is ready, able, and willing to give the eleven member co-operatives at least as good service as Old Dominion would be able to give.

At page 206 of their brief, applicant's counsel say that Old Dominion service will be so far superior to Vepco service that it "would be decisive even if Vepco's proposed rate were only half as much as Old Dominion's . . ." If Vepco's rate were only half as much as Old Dominion's, the savings would exceed $50,000,000, and we find it hard to imagine that overwhelming numbers of intelligent Virginia farmers would knowingly vote in favor of such extravagance.

Since each kilowatt hour of electricity is like every other kilowatt hour of electricity, what counsel are saying is that the *difference* between Old Dominion service and Vepco service would be worth $50,000,000. They earnestly argue that it would be in the public interest for 50,000 farmers to incur debts of $16,000,000 even if it increased their expenses by $50,000,000.

At pages 207 and 208, under the caption: "The farmer-consumers whose interests are involved are overwhelmingly in favor of Old Dominion's proposal," counsel for Old Dominion quote the testimony of Mr. Hooper:

" 'I wrote a letter to all of my members and I received something over a thousand letters back and the largest proportion, *about 93 per cent of those letters, were in favor of Old Dominion.*' (Italics supplied.)"

Mr. Allin also circularized his mem-

bers and received an even larger percentage of favorable replies.

These replies are not impressive because both Mr. Hooper and Mr. Allin so phrased their letters as to create the impression that Old Dominion power would be cheap. They did not call for a vote of the farmer-consumers on whether they would prefer Old Dominion power even if it should turn out to be more expensive.

Denial of the application will not keep the co-ops from purchasing government power if Southeastern Power Administration will sell it to them.

Throughout, we have compared Old Dominion's rates with the 7½-mill rate contained in the offer of April 17, 1950, and have not mentioned the so-called "wheeling" offer of September 30, 1949, in which Vepco offered to transport on-peak power from Buggs Island to the co-ops, and sell them their off-peak power at 7½ mills without any fuel clause. In order to transport power from Buggs Island, Vepco would have to come to an agreement with Mr. Creim, and Mr. Creim indicated that he would not deal with Vepco unless it first abandoned its pending application for a Federal license to build a dam at Roanoke Rapids. The wheeling offer therefore appears to be a dead duck.

It by no means follows, however, that the co-ops will be unable to purchase government power. At page 3553 of the transcript, Mr. Creim testified:

Q. If this Commission should in its wisdom deny the application of Old Dominion, that would in no way impair the preference status of the member co-operatives, would it?

A. I don't think it would change any of their rights under the law. Whether it impairs their status, I don't know, but it wouldn't affect their rights under the law. It might seriously affect their ability to get the benefits from Buggs Island power but it certainly wouldn't take away from them what legal right they have under Federal law.

Q. If Vepco were willing and able to wheel Buggs Island power for government account on satisfactory contracts to the member co-operatives, their purchases of power would stand in the same priority standing, would they not?

A. That is correct. The manner in which Southeastern gets the power to a co-operative will in no way affect its standing.

In order for the co-ops to get government power, the April 17th offer would have to be modified. At page 186 of their brief, counsel for Old Dominion say:

"Finally, the offer of April 17, 1950, would require each of the co-operatives to purchase from Vepco 'its entire requirements other than such as it supplies by generation from facilities it now owns.' Thus, for the term of the contract at least, the co-operatives would be effectively sealed off from any opportunity to take power from any government projects in the area."

Hydroelectric power is created by changing the energy of falling water into electric energy. By storing the water, power can be held in storage. Therefore, hydro power is best suited for on-peak loads. This is so obvious that Mr. Treadway designed the Old Dominion system in reliance on the expectation that Old Dominion would generate its own off-peak power and buy its on-peak power from Buggs Is-

land. For the same reason, Vepco felt safe in offering to furnish off-peak power without any fuel clause.

The April 17th offer originated as bait to lure the co-ops away from Old Dominion. To accomplish that result it had to contain the clause above quoted: otherwise, Vepco might find itself furnishing nothing but on-peak power.

The record in this case contains much evidence that it would *benefit* Vepco if the co-ops bought their peak energy from Buggs Island. If Mr. Creim and the co-ops should agree on a reasonable contract pursuant to which he will sell them on-peak energy, it seems clear from the evidence that self-interest would induce Vepco to agree to the necessary modification of the April 17th offer. Contracts between Vepco and its customers cannot abridge the police power of the state (§ 159 of the Constitution), and if, at any time, the co-ops can get cheaper on-peak energy from the Southeastern Power Administration than they can from Vepco, acceptance of the April 17th offer will not constitute a contract that cannot be modified either by agreement between them and Vepco or on application to the State Corporation Commission.

Conclusion

[12] In passing on this application for authority to borrow $16,000,000, our specific duty under the law is to look out for the welfare of the 55,000 customers of the eleven co-ops. The interest of those consumers in getting the best possible service at the lowest possible cost constitutes the public interest here involved. The proposed borrowing is not reasonably necessary for the purpose of promoting that interest. On the contrary, it would result in greater cost to the extent of more than $20,000,000 in thirty-five years, without providing better service.

At page 199 of their brief, counsel for the applicant say:

"Approval of this application would still leave the co-operatives free to exercise their judgment with respect to the existing, or any future, offer by Vepco. Denial of the application would remove this freedom of choice, and would be equivalent to a declaration that the co-operatives *must* accept the present Vepco offer, because it would deprive them of any alternative.

"We respectfully submit that if this be the decision of the Commission, it will have chosen to assume a grave and continuing responsibility with respect to the so-called 7½-mill offer, and the service which would be rendered thereunder."

We have two comments to make on the expression: "It will have *chosen to assume* a grave and continuing responsibility."

1. To any disinterested person it must be apparent from the facts of this case that we have no choice as to what our decision must be. In the performance of the duties imposed upon us by the Public Utilities Securities Law, we could not approve an application the effect of which would be to take from the rural consumers of electricity in Virginia more than $20,000,000 over a period of thirty-five years and give them nothing in return. *Since Vepco current would cost them that much less than the same amount of Old Dominion current, they would simply be throwing away at least $20,000,000.* To protect the public from such un-

sound financing was the dominant purpose of the general assembly in passing the statute, and, in denying the application, we are not exercising any choice of our own, but are merely applying the law to the facts.

2. We do not, by deciding this case, *"assume"* the grave and continuing responsibility referred to by counsel. That responsibility is imposed by the Constitution and laws, and it relates not only to the 7½-mill offer and the service rendered thereunder: it relates to all rates and all services of all public service companies; it relates to the rates and services of the eleven member co-operatives, and it relates to the statutory requirement that they charge high enough rates to pay their debts. Those co-operatives now owe the government of the United States about $25,000,000. Our decision in this case will save them large sums of money, which, were it not for the protection afforded by the Public Utilities Securities Law, would have been wasted. It is *demonstrable* that the sums thus saved will exceed $20,000,000, and it is *probable* that they will exceed $25,000,000. These tremendous savings can be used by the co-operatives to pay their debts to, and buy their freedom from, the Federal government, and thereby hasten the day when each will be the absolute owner of its plant in unencumbered fee simple.

Section 56–61 provides:

"Whenever the Commission refuses, in whole or in part, an application to issue securities or assume obligations or liabilities . . . it shall state specifically its reasons so that such refusal . . . may be reviewed judicially on appeal."

The application is refused for the reasons specifically stated in this opinion.

King, Chairman, and Hooker, Commissioner, concur.

OHIO SUPREME COURT

Weber

v.

Public Utilities Commission

No. 32289
— Ohio St —, 94 NE2d 561
October 11, 1950

MOTION *to dismiss appeal as not filed within period prescribed by statute; appeal dismissed.*

Appeal and review, § 79 — Time limitations.

An appeal, as a matter of right, must be filed within the 60-day period prescribed by statute.

APPEARANCES: Donald E. Calhoun, Cincinnati, for appellant; Herbert S. Duffy, Attorney General, and Kenneth B. Johnston, Columbus, for appellee.

PER CURIAM: It is *ordered* and *adjudged* that this appeal as of right be, and the same hereby is, dismissed for the reason that the notice of appeal was not filed within the 60-day period prescribed by § 547, General Code. Dayton v. Public Utilities Commission, 111 Ohio St 476, PUR1925C 294, 145 NE 849; Conway v. Public Utilities Commission (1938) 133 Ohio St 530, 14 NE2d 929; Finfrock v. Public Utilities Commission (1950) 154 Ohio St 21, 85 PUR NS 160, 93 NE2d 284.

Appeal dismissed.

Weygandt, C.J., Matthias, Hart, Stewart, Taft, and Faught, JJ., concur.

NEW HAMPSHIRE SUPREME COURT

Re Public Service Company of New Hampshire

— NH —, 75 A2d 786
October 3, 1950

INVESTIGATION *by Supreme Court to determine whether supplier of equipment is an affiliate of an electric utility; no status as affiliate found and case discharged.*

Intercorporate Relations, § 13 — Status as affiliate — Manufacturer owning stock of parent.

1. A manufacturing company is not an affiliate, within the meaning of a state statute defining the term as including every person owning or holding directly or indirectly 20 per cent or more of the voting stock of a public utility, notwithstanding its ownership of such percentage of stock in a corporation which in turn owns half of the voting stock of a utility, p. 157.

Intercorporate relations, § 13 — Status of equipment supplier as affiliate.

2. The relationship to a utility of a supplier of electrical equipment holding 20 per cent of the voting stock of a corporation which owns 50 per cent of the stock of the utility is not that of an affiliate, within the meaning of a state statute defining the term as a person owning or holding directly or indirectly 20 per cent or more of the voting capital stock of a public utility, where the supplier does not actually hold the utility's common stock during the period under consideration, notwithstanding the fact that the supplier has a large interest in a corporation which actually is within the definition, p. 157.

Intercorporate relations, § 13 — Statute defining affiliate — Interpretation.

3. A statute which defines an affiliate as every person owning or holding directly or indirectly 20 per cent or more of the voting stock of a public utility should be construed as using the word "holding" in its common and

approved usage as meaning to retain in one's keeping, or maintain possession of or authority over, p. 157.

Statutes, § 19 — Definition of affiliate — Court interpretation.

Statement that while a statute defining public utilities and affiliates should be liberally interpreted, a court making an interpretation may not distort the meaning of the words used by the legislature or read in words which the legislature refused to incorporate in the statute, p. 160.

Petition to the Public Service Commission by the Public Service Company of New Hampshire (hereinafter referred to as the Company), requesting that the Commission take jurisdiction under R.L. Chap 287, § 5 and order an investigation into the rates and charges of the Company. The Company alleges that it cannot now nor will it be able in the foreseeable future to earn reasonable or adequate returns on its investment under present rates. During the investigation it appeared that the Company has purchased and purchases from time to time equipment and supplies from the General Electric Company of Schenectady, New York, for a consideration exceeding $500, and that it is now under contract with the General Electric for the installation by that Company of a generating plant in Portsmouth, New Hampshire, for a sum exceeding $8,000,000.

The Company has never filed with the Commission the original or a verified copy or a verified summary of any contract or arrangement with the General Electric Company except that the Company has filed in the present rate investigation case its original contract with the General Electric for the installation of the generating plant in Portsmouth.

Payments for equipment and supplies purchased of the General Electric have been charged either as current operating costs or capitalized as assets for the issuance of securities or presented for consideration in fixing the rate base. Payments for the installation have all been capitalized and the Company intends to capitalize final payments to the General Electric upon satisfactory completion of the contract.

On February 11, 1933, the General Electric purchased more than 20 per cent of the voting capital stock of the New England Public Service Company. Since that date General Electric has at all times owned either in its own name or beneficially in the name of others more than 20 per cent of the voting capital stock of the New England Company. General Electric owns presently 28.07 per cent of the voting capital stock of the New England Public Service Company.

From 1926 when the Public Service Company of New Hampshire was organized until 1946 its entire voting capital stock was owned by the New England Company. The New England Company now owns about 52 per cent and since June of 1946 has at all times owned more than 50 per cent of the voting capital stock of the Company.

Certain respondents who have filed appearances and opposed the Company's claims have moved that the

Commission investigate all contracts and arrangements between the Company and General Electric and all purchases by the Company from the General Electric where the consideration exceeds $500 since 1933 on the ground that the General Electric is an affiliate of the Company under R.L. Chap 305, § 1, subd. II(a). The Company denies that the General Electric is an affiliate and the issue transferred to us by the Commission under R.L. Chap 287, § 20 is, "On the above facts is the General Electric Company an 'affiliate' of the Public Service Company of New Hampshire within the provisions of R.L. Chap 305, § 1, subd. II(a)?"

APPEARANCES: Thornton Lorimer and Francis E. Perkins, Concord, for state of New Hampshire; Sulloway, Piper, Jones, Hollis & Godfrey and Franklin Hollis, Concord, for Public Service Co. of N. H.; Eugene S. Daniell, Jr., Franklin, for city of Franklin; Harry Carlson, Meriden, for Sullivan County Democratic Committee; Robert P. Bingham, Manchester, pro se; Tobey & Zellers, Concord, for New Hampshire Electric Cooperative, Inc. and White Mountain Power Co. (filed no brief).

BLANDIN, J.:

[1–3] The question before us is whether on the facts stated the General Electric Company is an affiliate of the Public Service Company of New Hampshire (hereinafter called the Company) within the meaning of R.L. Chap 305, § 1, subd. II(a) which reads as follows: "'Affiliate' shall mean and include the following: (a) Every person owning or holding directly or indirectly 20 per cent or more of the voting capital stock of a public utility." Considering the wording and history of the law we believe our answer must be that it is not. According to the record the General Electric never owned any stock in the Company and neither now or at any time since it purchased stock in the New England Public Service Company has it owned or held directly or indirectly a majority interest in the New England Public Service Company. Under the circumstances we believe by no stretch of language can it be said that the General Electric "owns," or since 1933 has owned directly or indirectly 20 per cent of the voting capital stock of the Company so as to become an affiliate of it. The case of Attorney General v. New York, N. H. & H. R. Co. (1908) 198 Mass 413, 84 NE 737, cited by state's counsel as authority for his position is clearly distinguishable from the situation before us and furnishes no authority here. There the corporation charged with "directly or indirectly" subscribing for, or taking or holding the stock of other railroad corporations held complete control over and owned all the stock of another corporation which in turn bought and held railroad stocks.

Nor do we believe it can be said that the General Electric "holds" or since 1933 has held directly or indirectly 20 per cent or more of the voting capital stock of the Company. Counsel has cited no authority, nor do we know of any which would so interpret the words under the circumstances here. No claim is made that there is or has been within the period under consideration any direct holding of the voting capital stock of the Company by

the General Electric. If it may be said that language used in State v. New Hampshire Gas & E. Co. 86 NH 16, PUR1932E 369, 163 Atl 724, lends support to the argument that the General Electric is an affiliate of the Company, holding indirectly 20 per cent of the Company's voting capital stock, we believe that case is no authority here. The Public Service Commission there found that the two New Hampshire utilities, which seem to have been considered by our court on the strength of this finding as affiliates of the Associated Gas & Electric Company, were controlled and operated by the Associated Company through controlling interests in a chain of stock ownership and interlocking directorates. There is no such evidence before us of control of the Public Service Company of New Hampshire by the General Electric. Furthermore that case was decided in 1932 prior to the enactment of our present law and the legislature's rejection of the chain ownership principle set forth in H.B. 358 as hereinafter discussed. Construing the language according to "common and approved usage," in the absence of any showing that it is such technical language as has acquired "familiar" and "appropriate" meaning in law, as directed by R.L. Chap 7, § 2, the word "hold" means "to retain in one's keeping; to maintain possession of, or authority over . . ." Webster's International Dictionary, 2d Ed. p. 1187. See also 40 CJS, Hold, pp. 406, 407. Since it does not appear that the General Electric controls the New England Company and owns no stock in the New Hampshire Public Service Company, it cannot be said to retain in its keeping or to maintain possession of, or authority over 20 per cent of the voting capital stock of the New Hampshire Company.

However, it is not necessary to rely wholly on these reasons because it seems the history of the act directly refutes such a meaning as the state contends for here. The first bill relating to this subject introduced in the House in 1933, H.B. 358, so far as material defined affiliate as follows:

(a) "Every person owning or holding directly or indirectly 5 per cent or more of the voting capital stock of a public utility.

(b) "Every person *in any chain* of successive ownership of 5 per centum or more of voting capital stock of a public utility.

(c) "Every corporation or association 5 per centum or more of whose voting capital stock, or certificates of membership, is owned by any person owning 5 per centum or more of the voting capital stock of a public utility or by any person *in any such* chain of successive ownership of 5 per centum or more of the voting capital stock of a public utility." (Italics ours.)

Another bill, H.B. 458, which was referred to the House Committee on Judiciary defined affiliate thus:

"II. 'Affiliate' shall mean and include the following:

"(a) Every person owning or holding directly or indirectly 5 per cent or more of the voting capital stock of a public utility.

"(b) Every corporation or association which has one or more officers or directors in common with a public utility.

"(c) Every person who the Commission may determine as a matter of fact after investigation and hearing is

either *directly* or *indirectly actually exercising any substantial influence over the policies and actions* of a public utility, whether or not in conjunction with one or more persons." (Italics ours.)

It is obvious from these bills that the legislature had in mind just such a situation as confronts us here and knew how to take care of it had they so desired. It is equally plain that they considered the words "owning or holding directly or indirectly" used in both these bills inadequate for that purpose because they added to both H. B. 358 and 458 subsections (b) and (c). However, neither of these bills passed. H. B. 358 was reported by the committee on judiciary on May 11, 1933, "inexpedient to legislate, subject matter covered by another bill," which report was promptly accepted. The next day the House passed H. B. 458 but the Senate amended it by striking it out in entirety and substituted the bill which later was enacted in its present form. On June 11th the Senate asked concurrence of the House. The House voted not to concur and asked for a committee of conference which on June 16th reported that the House ought to recede from its position and concur with the Senate amendment. After discussion the House accepted the report of the Committee of Conference and the bill, which counsel for the state candidly and we believe correctly admits was a compromise, became law. If, as suggested in argument the purpose of the legislature was to guarantee "arms-length" bargaining between corporations under the circumstances here no reason appears why it did not say so.

Other states prior to the passage of our statute enacted laws which contained provisions similar either to H. B. 358, see General Acts Alabama, Extra Session, 1932, p. 233, No. 232, or combined the features of both House Bill 358 and House Bill 458, going even further in some respects. See Public Service Law, § 110, as added by Laws of New York 1930, Chap 760; Laws of Kan 1931, Chap 239, § 1; St. 1931, § 196.52, as added by Laws of Wis 1931, Chap 183. The New York law, for example, defined "affiliated interests" in part as follows, subdivision 2(b): "Every corporation and person in any chain of successive ownership of 10 per centum or more of voting capital stock. (c) Every corporation 10 per centum or more of whose voting capital stock is owned by any person or corporation owning 10 per centum or more of the voting capital stock of such utility corporation or by any person or corporation in any such chain of successive ownership of 10 per centum or more of voting capital stock. . . . (f) Every corporation or person which the Commission may determine as a matter of fact after investigation and hearing is actually exercising any substantial influence over the policies and actions of such utility corporation even though such influence is not based upon stock holding, stockholders, directors, or officers to the extent specified in this section."

Subsection (g) provided in substance for an extension of (f) to include persons or corporations acting in conjunction with persons or corporations situated as thus described in (f). This applies though their relationship to the matter may be only that

of blood or ownership or by "action in concert" with other persons or corporations deemed to be affiliates.

The Congress of the United States faced with a like problem also found a plain solution. It wrote a law defining an affiliate among other things as follows: "Any person that directly or indirectly owns, controls, or holds with power to vote, 5 per centum or more of the outstanding voting securities . . . ," Public Holding Company Act of 1935, § 2(a) (11) (A), 15 USCA § 79b(a) (11) (A).

Evidently Congress too considered this definition too narrow, though it is broader than ours, as will be noted by the insertion of the word "control," because they tacked on an addition, "any person or class of persons that the Commission determines, after appropriate notice and opportunity for hearing, *to stand in such relation* to such specified company *that there is liable to be such an absence of arm's-length* bargaining in transactions between them as to make it necessary or appropriate in the public interest or for the protection of investors or consumers that such person be subject to the obligations, duties, and liabilities imposed in this title upon affiliates of a company." Section 2(a) (11) (D), 15 USCA § 79b(a) (11) (D). (Italics ours.)

In brief our legislature had ample opportunity to pass a statute expressly dealing with chain ownership as did other states and Congress. It rejected this solution after what appears to have been long and careful consideration and chose to enact a compromise. One result of the compromise was that the legislature made ownership of voting stock the test to determine whether a utility should be regulated. In the subsection before us, it flatly rejected the test of control regardless of voting stock ownership. The conclusion appears inescapable that by this compromise it neither intended nor defined a corporation in the situation of the General Electric here to be an affiliate of the New Hampshire Company. The sound principle that the court's interpretation of such statutes as this should be liberal, Boston, C. & M. Railroad v. Boston & M. Railroads (1889) 65 NH 393, 399, 23 Atl 529, and the argument that our construction should be as broad as the evil sought to be prevented, see Opinion of the Justices (1891) 66 NH 629, 660, 33 Atl 1076, do not permit us to distort the words which the legislature used nor to read in words which they refused to put there. Manock v. Amos D. Bridge's Sons (1933) 86 NH 104, 107, 164 Atl 211; Davis v. W. T. Grant Co. (1936) 88 NH 204, 207, 185 Atl 889; Bodeau v. Bodeau (1942) 92 NH 183, 184, 27 A2d 191.

Our conclusion, therefore, is that the General Electric Company is not and has not been within the period involved an affiliate of the Public Service Company of New Hampshire and the order is

Case discharged.

Johnston, CJ., did not sit; the other concurred.

Industrial Progress

A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.

Ohio Power Building New $45,000,000 Plant

OHIO POWER COMPANY has started construction of a new $45,000,000 steam-electric generating plant on the Muskingum river, approximately 47 miles downstream from Zanesville, Ohio.

The new station will increase total system capacity authorized or under construction from a million kw. to 1,400,000 kw.

AGA Plans Record Outlay For 1951 Advertising

A RECORD budget of $1,700,000 has been authorized by the American Gas Association for the gas industry's 1951 promotion, advertising and research activities.

The program, now in its seventh year, is financed by contributions from member companies of the gas association.

Biggest single item in the 1951 budget calls for the expenditure of $660,000 for national advertising to promote domestic gas ranges, gas refrigerators, gas water heaters, and gas clothes dryers. The association also expects to spend $657,000 for general research during the year and $345,000 for promotional activities.

Marmon-Herrington Completes One-thousandth Trolley Coach

AFTER only four years in the transit equipment business, the Marmon-Herrington company completed and delivered its one-thousandth trolley coach on February 1st.

According to the announcement, Marmon-Herrington is the first company ever to build as many as one thousand trolley coaches in four consecutive years. It is also the first company to achieve this goal since World War Two and the only company ever to operate a trolley coach production line without interruption for four consecutive years.

Trolley Coach No. 1,000 is part of an order now in process for the Cincinnati Street Railway Company.

Pub. Serv. of Colorado Plans $24,600,000 Program

PUBLIC SERVICE COMPANY OF COLORADO directors have approved a $24,600,000 construction budget for 1951.

Plans call for spending $12,000,000 on generating facilities, $2,000,000 on electric transmission facilities, $5,000,000 on electric distribution lines, services, transformers and meters, and $5,600,000 for gas distribution lines and facilities.

In outlining the program, J. E. Loiseau, president, said the largest single expenditure will be $11,000,000 for a new 60,000-kilowatt electric generator scheduled to be placed in operation in 1953.

McCabe-Powers Offers New Telescopic Single-leg Derrick

A NEW telescopic, single-leg derrick, for ½, ¾, and 1 ton trucks, has been announced by the Powers-American Division, McCabe-Powers Auto Body Company, 5900 No. Broadway, St. Louis 15, Mo.

The unit, which has been designated the "Uni-Lift," is designed for use with multiple pulley blocks. It has a maximum capacity of 1,500 lbs. For convenience in handling materials of different size, weight, and shape the derrick base is keyed to permit positioning of the boom at two angles of elevation. In addition, the upper section of the boom may be telescoped for greater capacity when maximum height is not required.

The derrick is raised semi-automatically by means of a heavy-duty elevating spring. When not in use the boom is stowed in a telescoped position along the body side panel where it will not interfere with items carried in the loading area.

Public Service of No. Illinois Completes 2-Way Radio System

A TWO-WAY radio system for emergency communication that will blanket its entire gas and electric service area is being completed by the Public Service Company of Northern Illinois, it was announced recently by Britton I. Budd.

Fixed transmitter stations in the new set-up, which will augment the company's present telephone communication facilities, have been installed at 22 strategically located spots throughout the area. Receiving sets already are

(*Continued on Page* 34)

installed in many trucks and service cars and when the installation is completed, a total of 338 vehicles will be equipped for sending and receiving messages.

Under the new system, according to Mr. Budd, the company expects to be able to maintain effective emergency communication between key operating points as well as in the field should an emergency arise such as the severe sleet storms of January 1, 1948 and February 13, 1950.

The new communication system is the result of constant study by the company to speed up customer service operations the year 'round in its 11,000 square miles of territory across northern Illinois.

Federal Telephone Offers New Type Signaling Equipment

A NEW type of signaling equipment designed to adapt older types of carrier systems to dial operation, has been developed by Federal Telephone and Radio Corporation, Clifton, N. J., manufacturing associate of the International Telephone and Telegraph Corporation. It is engineered to meet present-day requirements for local, toll, and long-distance dialing.

Designated as Federal's 904 Signaling Equipment, this new development permits dialing with full hook-switch supervision over existing long, medium or short-haul carrier telephone channels; over four-wire physical circuits; and over microwave radio-link channels.

Georgia Power Plans $34,500,000 Program

GEORGIA POWER COMPANY plans an accelerated construction program of $34,500,000 for 1951.

New and enlarged generating and transmission facilities are planned to serve national defense industries and other customers in its service area. Various projects in the program will be "rushed to completion as fast as possible," according to a company spokesman.

Illinois Power to Build $16,700,000 Station

ILLINOIS POWER COMPANY plans to construct a $16,700,000 steam-electric generating station on the Illinois river near Hennepin, Illinois. The initial installation, scheduled for completion in 1953, will have one 60,000-kilowatt turbo generator. Eventually, it will develop 120,000 kilowatts of power at the station.

EEI Offers Program for Planned School Lighting

A NEW Planned School Lighting program for use by electric light and power companies, lighting equipment manufacturers, and others in the electrical industry has been re-

(*Continued on Page* 36)

leased by the Edison Electric Institute and Better Light Better Sight Bureau.

The last of five new programs devised to promote the practice of Planned Lighting in the home, office, school, store, and factory markets, this new school lighting program is the product of three years' experience and use of the original Planned School Lighting program by over 100 electric light and power companies.

Complete information may be obtained from the Edison Electric Institute, 420 Lexington avenue, New York 17, New York.

Blaw-Knox Introduces Electroil Fogger

BLAW-KNOX COMPANY has developed a new product to facilitate the distribution of natural gas through manufactured gas mains. Known as the Blaw-Knox Electroil Fogger, the new device introduces a stable petroleum fog into the pipeline gas stream.

The result of a year's experimental work by the company's research and development department, the fogger protects the distributional system by wetting down dust deposits, thereby preventing their dislodgment. It prevents the drying out of jute-joint packing and likewise protects the leather diaphragms. The influence of the fog also inhibits internal corrosion of the steel.

The fogger is a shop-assembled unit, ready for quick connection to utility lines.

Virginia Elec. & Pwr. Plans New Generating Unit

VIRGINIA ELECTRIC & POWER COMPANY plans the immediate construction of a new $17,000,000 electric generating station at Gilmerton, Virginia.

The new plant will have a capacity of 100,000 kw and is scheduled for completion by December 1952. It will be designed for an eventual capacity of 400,000 kw.

Ehret Announces Improved 85% Magnesia Insulation

EHRET MAGNESIA MANUFACTURING COMPANY announces the completion of their new plant, located at the company's present site at Valley Forge, Pennsylvania. Operating under a revised processing procedure, the plant is manufacturing an improved 85 per cent magnesia insulation in both pipe covering and block form. Compared to former filter-molded 85 per cent magnesia, the new product—called Ehret Thermalite—is molded to final shape, has a lower thermal conductivity and is more uniform in dimensions and density. Thermalite is made in sectional form according to the now generally used "Simplified Thickness Standards," so that every practical size and thickness of pipe covering can be secured by the convenient application of successive layers of magnesia insulation.

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